Farm Credit Services of Western Arkansas, ACA

Quarterly Report
June 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Services of Western Arkansas, ACA and its subsidiaries, Farm Credit Services of Western Arkansas, FLCA and Farm Credit Services of Western Arkansas, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2021 (2021 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (AgriBank), the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of AgriBank financial reports or additional copies of our report, contact us at:

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FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2021 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

At the end of June 2022, there were parts of 39 counties within the state showing some kind of drought condition. 34 counties were labeled as abnormally dry drought conditions, with parts of 5 counties showing moderately dry conditions. This totals 68.12% of the state with no drought conditions while 31.88% of the state is abnormally dry and 1.85% of the state is moderately dry. Of note, the counties with drought conditions are located primarily in the north and northeastern part of the state with a few counties on the southern border. April temperatures were slightly cooler than normal values, the mean temperature was 61.4 degrees compared to the normal mean value in April of 61.7 degrees. April precipitation was 5.15 inches on average in Little Rock, down 0.39 inches from the normal value of 5.54 inches precipitation in April at Little Rock. May temperatures were slightly warmer than normal values with a mean temperature of 71.6 degrees, which is 1.6 degrees warmer than the normal value of 70.0 degrees. Precipitation in May was 5.22 inches in Little Rock, which is 0.17 inches less than the normal value of 5.39 inches for May at Little Rock. June temperatures were slightly warmer than normal with the mean temperature at 79.2 degrees compared to the normal value of 78.0 degrees. Precipitation for June was 2.58 inches in Little Rock, which is 0.82 inches less than the normal value of 3.40 inches for the month of June in Little Rock. Total rainfall in the second quarter of 2022 was 12.95 inches at Little Rock.

Row Crops: Despite a slow start, planting progress for the 2021/2022 soybean crop was on pace with the 5-year average as of June 12, 2022, with 88% complete. Soybean exports look to remain strong in 2022/2023 as outstanding sales for new crop soybeans were 5.14 million metric tons higher on June 2, 2022, than the same time a year prior at 12.7 million metric tons, most of this increase is attributable to increase in outstanding sales to China.

The spring planting season for corn was marked by cool temperatures and wet conditions resulted in delays in planting progress in many key corn-producing states. Conditions improved in May, which allowed for timely planting but still behind averages. By June 5, 2022, most states planting progress was close to historical averages. Corn production for 2022/2023 is expected to total 14,460 million bushels projected on 81.7 million harvested acres making it a national average yield of 177 bushels per acre.

Despite a slow start to planting in much of the south due to rain, progress for the 2022/2023 rice crop was reported near normal for most states for the week ending June 5, 2022, with the U.S. six-state total of 89% emerged fractionally behind a year ago but unchanged from the 5-year average.

Total U.S. agricultural exports in fiscal year 2022 are forecast at a record $191.0 billion, up $7.5 billion from the February 2022 forecast, led by increases in corn, cotton, and soybeans.

Poultry: Broiler production forecast for 2022 is lowered on recent declines in average weights and broiler-type inventories. Broiler exports are adjusted up on recent data. Broiler meat production in April was estimated at 3.562 billion pounds, which is 3.6% below April of 2021. On a per day basis, slaughter is about

1.4% above last year with April 2022 having one less slaughter day. Declining bird weights also contributed to the decrease. Average bird weights have been declining since the start of the year. This is seasonally atypical in the first quarter, with April weights normally increasing from March but this year were actually lower month-to-month.

The inventory of broiler-type laying chickens has also been declining in recent months, with inventory on the first day of May falling 2.6% below the same time last year and 1.218 million head below this year's peak on March 1. Highly Pathogenic Avian Influenza (HPAI) has had minimal impact on the broiler layer flock and cannot explain this decrease. Since the start of the 2022 outbreak, United States Department of Agriculture Animal and Plant Health Inspection Service has reported only 89,900 commercial broiler breeders lost to HPAI. Recent hatchery data and the lower layer flock are expected to decrease production later in the year. Forecast third-quarter production is adjusted down by 50 million pounds to 11.6 billion pounds.

Cattle: Current poor forage conditions and high operating costs continue to push producers. Beef cow culling rates are up and calves are being placed on feed at faster than expected rates. Higher anticipated cow slaughter and higher expected second half 2022 fed cattle marketings more than offset lower than expected carcass weights, resulting in a marginal increase in 2022 production to 27.9 billion pounds. The high culling rate is evident from the first 4 months of the year as the number of beef cows slaughtered is up 15% from the same period in 2021. Second quarter 2022 expected slaughter has been raised based on cow slaughter data, but it is more than offset by lower-than-expected carcass weights based on the increase of cows in the slaughter mix and lighter than expected carcass weights.

The latest National Agricultural Statistics Service Cattle on Feed report showed a May 1, 2022, feedlot inventory of 11.973 million head, a series-record for the month and about 2% higher year-over-year from 11.731 million head in 2021. Despite another month of historically high feedlot inventories in 2022, the volume is declining seasonally month after month since the high that was set February 1, 2022.

In the first week of June, the price for feeder steers 750-800 pounds at the Oklahoma National Stockyards was reported at $158.08 per hundredweight, the second quarter 2022 price forecast is lowered $2 to $157 per hundredweight based on recent data. Feeder steer prices in 2023 are unchanged at $198.00 per hundredweight.

Despite elevated year-over-year trade in the first half of 2022, imports and exports are expected to decline 8% and 5%, respectively in the second half of 2022.

Timber: At the end of the second quarter of 2022, the state average stumpage price on pine sawtimber was $25.85 per ton. Pine pulpwood was at $5.26 per ton, mixed hardwood sawtimber was $42.96 per ton, and hardwood pulpwood $9.82 per ton. When compared to last year the stumpage price on pine sawtimber for the second quarter of 2022 was down $0.54 a ton, pine pulpwood was up $0.33 per ton, mixed hardwood sawtimber was up $6.41 per ton, and hardwood pulpwood was up $2.23 per ton.

Softwood lumber prices decreased substantially in the second quarter after reaching near record high levels in March 2021, the June Random Lengths Southern Pine Composite at $545 per thousand board feet (mbf) was down $632 quarter over quarter (-54%) and $392 year over year (-42%).

Camden Timbers, a new subsidiary of Astara Capital Partners, plans to acquire and restart Victory Lumber, an idle southern yellow pine sawmill in Camden, AR. The group plans to upgrade the facility into a small-log timbers mill. Canfor announced plans to invest $130 million in their sawmill at Urbana, AR. This project will upgrade facilities and expand production capacity from 150 million board feet (mmbf) to 265 mmbf per year. PotlatchDeltic announced plans to invest $131 million to expand and modernize their sawmill in Waldo, AR. The existing mill will continue to operate during the project. Work on the site is anticipated to begin in 2023 with completion expected by the end of 2024. PotlatchDeltic also announced the continued progress on the rebuilding of the large log line at their Ola sawmill in Ola, AR. The facility was damaged by fire in June 2021 but the small log line at the site has continued to operate at the rate of roughly 25 mmbf per year. The company expects to start up the new large log line in October with full operations reached in early 2023 at roughly 150 mmbf per year.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $1.7 billion at June 30, 2022, an increase of $62.4 million from December 31, 2021.

Portfolio Credit Quality

The credit quality of our portfolio remained stable from December 31, 2021. Adversely classified loans increased to 1.3% of the portfolio at June 30, 2022, from 1.2% of the portfolio at December 31, 2021. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. At June 30, 2022, $35.7 million of our loans were substantially guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	**June 30, 2022**	December 31, 2021
Loans:		
Nonaccrual	**$ 5,168**	$ 5,885
Accruing restructured	**2,408**	2,914
Accruing loans 90 days or more past due	**--**	--
Total risk loans	**7,576**	8,799
Other property owned	**457**	658
Total risk assets	**$ 8,033**	$ 9,457
Total risk loans as a percentage of total loans	**0.4%**	0.5%
Nonaccrual loans as a percentage of total loans	**0.3%**	0.4%
Current nonaccrual loans as a percentage of total nonaccrual loans	**62.8%**	45.4%
Total delinquencies as a percentage of total loans	**0.5%**	0.3%

Note: Accruing loans include accrued interest receivable.

Our risk assets have decreased from December 31, 2021, and have remained at acceptable levels. Total risk loans as a percentage of total loans were well within our established risk management guidelines.

The decrease in nonaccrual loans was primarily due to normal fluctuations in the loan balances held. Nonaccrual loans remained at an acceptable level at June 30, 2022, and December 31, 2021.

The decrease in accruing restructured loans was primarily due to the pay down of one production and intermediate-term loan.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans inherent in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Allowance Coverage Ratios

As of:	**June 30, 2022**	December 31, 2021
Allowance as a percentage of:		
Loans	**0.1%**	0.1%
Nonaccrual loans	**45.4%**	38.7%
Total risk loans	**31.0%**	25.9%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at June 30, 2022.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the six months ended June 30	**2022**	2021
Net income	**$ 14,692**	$ 15,844
Return on average assets	**1.7%**	1.9%
Return on average members' equity	**8.4%**	9.6%

Changes presented in the profitability information chart relate directly to:

- Changes in income discussed in this section
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Funding, Liquidity, and Capital section

Changes in Significant Components of Net Income

(in thousands) For the six months ended June 30	2022	2021	Increase (decrease) in net income
Net interest income	**$ 24,614**	$ 23,114	**$ 1,500**
Provision for credit losses	**382**	349	**(33)**
Non-interest income	**5,327**	6,851	**(1,524)**
Non-interest expense	**14,991**	13,503	**(1,488)**
(Benefit from) provision for income taxes	**(124)**	269	**393**
Net income	**$ 14,692**	$ 15,844	**$ (1,152)**

Non-Interest Income

The change in non-interest income was primarily due to the decrease in fee income. The decrease was mainly due to fees collected from the SBA for originating Paycheck Protection Program (PPP) loans in 2021, which have been subsequently forgiven. The PPP has ceased with no new originations in 2022.

Non-Interest Expense

The change in non-interest expense was primarily related to salaries and benefit increases from merit increases and positions being filled. Also, in the first quarter of 2022, we recorded a non-recurring expense for the allocation of certain retirement benefit costs related to our participation in the CentRic Technology Collaboration. Finally, the Farm Credit System insurance expense increased in 2022 primarily due to a higher premium rate charged by the Farm Credit System Insurance Corporation (FCSIC) on accrual loans. The premium rate, which is primarily impacted by System growth, was increased from 16 basis points to 20 basis points during June of 2022. The change was applied retroactively to all of calendar year 2022. The premium rate for 2021 was 16 basis points. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable was scheduled to mature on May 31, 2023. However, it was renewed early for $2.0 billion with a maturity date of May 31, 2025. We intend to renegotiate the note payable no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

The components of cost of funds associated with our note payable include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

We were not subject to a risk premium at June 30, 2022, or December 31, 2021.

Total members' equity increased $9.6 million from December 31, 2021, primarily due to net income for the period partially offset by patronage distribution accruals.

The Farm Credit Administration (FCA) Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 6 in our 2021 Annual Report for a more complete description of these ratios. Effective January 1, 2022, the FCA regulations slightly modified the calculation of the unallocated retained earnings and equivalents leverage ratio to include certain additional deductions. The modification did not have a material impact on this ratio.

Regulatory Capital Requirements and Ratios

As of:	June 30, 2022	December 31, 2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**18.1%**	18.8%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**18.1%**	18.8%	6.0%	2.5%	8.5%
Total capital ratio	**18.2%**	18.9%	8.0%	2.5%	10.5%
Permanent capital ratio	**18.1%**	18.8%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**18.0%**	18.6%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**17.6%**	19.0%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as disclosed in Note 10 in our 2021 Annual Report.

CERTIFICATION

The undersigned have reviewed the June 30, 2022, Quarterly Report of Farm Credit Services of Western Arkansas, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Cody Jones
Chairperson of the Board
Farm Credit Services of Western Arkansas, ACA

Brandon Haberer
President and Chief Executive Officer
Farm Credit Services of Western Arkansas, ACA

Lori Schumacher
Senior Vice President of Finance and Chief Financial Officer
Farm Credit Services of Western Arkansas, ACA

August 4, 2022

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Services of Western Arkansas, ACA
(in thousands)
(Unaudited)

As of:		June 30, 2022		December 31, 2021
ASSETS				
Loans	**$**	**1,721,723**	$	1,659,308
Allowance for loan losses		**2,346**		2,276
Net loans		**1,719,377**		1,657,032
Investment in AgriBank, FCB		**38,815**		38,815
Accrued interest receivable		**10,493**		9,806
Other assets		**27,229**		27,093
Total assets	**$**	**1,795,914**	$	1,732,746
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**1,418,781**	$	1,360,997
Accrued interest payable		**6,251**		5,280
Deferred tax liabilities, net		**765**		621
Patronage distribution payable		**5,100**		11,500
Other liabilities		**10,563**		9,466
Total liabilities		**1,441,460**		1,387,864
Contingencies and commitments (Note 3)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**6,130**		6,049
Unallocated surplus		**348,324**		338,833
Total members' equity		**354,454**		344,882
Total liabilities and members' equity	**$**	**1,795,914**	$	1,732,746

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Farm Credit Services of Western Arkansas, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
For the period ended June 30	**2022**	2021	**2022**	2021
Interest income	**$ 18,648**	$ 16,975	**$ 36,148**	$ 33,898
Interest expense	**6,251**	5,338	**11,534**	10,784
Net interest income	**12,397**	11,637	**24,614**	23,114
Provision for credit losses	**154**	62	**382**	349
Net interest income after provision for credit losses	**12,243**	11,575	**24,232**	22,765
Non-interest income				
Patronage income	**1,931**	2,067	**3,667**	3,945
Financially related services income	**4**	3	**9**	18
Fee income	**735**	1,458	**1,399**	2,836
Other non-interest income	**52**	39	**252**	52
Total non-interest income	**2,722**	3,567	**5,327**	6,851
Non-interest expense				
Salaries and employee benefits	**4,193**	3,977	**8,357**	7,978
Other operating expense	**3,241**	2,878	**6,388**	5,522
Other non-interest expense (income), net	**5**	(37)	**246**	3
Total non-interest expense	**7,439**	6,818	**14,991**	13,503
Income before income taxes	**7,526**	8,324	**14,568**	16,113
(Benefit from) provision for income taxes	**(59)**	201	**(124)**	269
Net income	**$ 7,585**	$ 8,123	**$ 14,692**	$ 15,844
Other comprehensive income				
Employee benefit plans activity	**$ --**	$ 70	**$ --**	$ 140
Total other comprehensive income	**--**	70	**--**	140
Comprehensive income	**$ 7,585**	$ 8,193	**$ 14,692**	$ 15,984

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Services of Western Arkansas, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2020	$ 5,950	$ 319,333	$ (279)	$ 325,004
Net income	--	15,844	--	15,844
Other comprehensive income	--	--	140	140
Unallocated surplus designated for patronage distributions	--	(5,639)	--	(5,639)
Capital stock and participation certificates issued	455	--	--	455
Capital stock and participation certificates retired	(419)	--	--	(419)
Balance at June 30, 2021	$ 5,986	$ 329,538	$ (139)	$ 335,385
Balance at December 31, 2021	$ 6,049	$ 338,833	$ --	$ 344,882
Net income	**--**	**14,692**	**--**	**14,692**
Unallocated surplus designated for patronage distributions	**--**	**(5,201)**	**--**	**(5,201)**
Capital stock and participation certificates issued	**409**	**--**	**--**	**409**
Capital stock and participation certificates retired	**(328)**	**--**	**--**	**(328)**
Balance at June 30, 2022	**$ 6,130**	**$ 348,324**	**$ --**	**$ 354,454**

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim financial information and conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the six months ended June 30, 2022, are not necessarily indicative of the results to be expected for the year ending December 31, 2022. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2021 (2021 Annual Report).

The Consolidated Financial Statements present the consolidated financial results of Farm Credit Services of Western Arkansas, ACA and its subsidiaries Farm Credit Services of Western Arkansas, FLCA and Farm Credit Services of Western Arkansas, PCA. All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standards to be applicable to our business. While we are a nonpublic entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements in alignment with other System institutions.

Standard and effective date	Description	Adoption status and financial statement impact
In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amended the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	We expect to adopt the standard as of January 1, 2023. We have completed development and validation of our model to estimate credit losses for our loan portfolio. Processes and internal controls related to the model and the estimation of credit losses for loans are currently being designed. We are in the process of drafting disclosures and accounting policies. The extent of the impact on our financial statements will depend on economic conditions, forecasts and the composition of our loan and investment portfolios at the time of adoption.
In March 2022, the FASB issued ASU 2022-02 "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures." The guidance is effective at the same time that ASU 2016-13 is adopted.	This guidance eliminates the accounting guidance for troubled debt restructurings by creditors in Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings.	We intend to adopt the standard concurrently with the adoption of ASU 2016-13 as amended. The adoption of this guidance is not expected to have a material impact on our financial statements, but will modify certain disclosures required under ASU 2016-13.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	June 30, 2022		December 31, 2021	
	Amount	%	Amount	%
Real estate mortgage	**$ 1,127,906**	**65.5%**	$ 1,118,058	67.4%
Production and intermediate-term	**185,564**	**10.8%**	192,025	11.6%
Agribusiness	**287,663**	**16.7%**	231,486	14.0%
Other	**120,590**	**7.0%**	117,739	7.0%
Total	**$ 1,721,723**	**100.0%**	$ 1,659,308	100.0%

The other category is primarily composed of rural infrastructure, rural residential real estate, and agricultural export finance related loans.

Delinquency

Aging Analysis of Loans

(in thousands) **As of June 30, 2022**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total
Real estate mortgage	**$ 4,853**	**$ 482**	**$ 5,335**	**$ 1,129,894**	**$ 1,135,229**
Production and intermediate-term	**2,473**	**554**	**3,027**	**184,886**	**187,913**
Agribusiness	**--**	**--**	**--**	**288,326**	**288,326**
Other	**54**	**121**	**175**	**120,573**	**120,748**
Total	**$ 7,380**	**$ 1,157**	**$ 8,537**	**$ 1,723,679**	**$ 1,732,216**
As of December 31, 2021	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total
Real estate mortgage	$ 2,883	$ 1,356	$ 4,239	$ 1,120,685	$ 1,124,924
Production and intermediate-term	182	692	874	193,466	194,340
Agribusiness	--	--	--	231,992	231,992
Other	6	--	6	117,852	117,858
Total	$ 3,071	$ 2,048	$ 5,119	$ 1,663,995	$ 1,669,114

Note: Accruing loans include accrued interest receivable.

There were no loans 90 days or more past due and still accruing interest at June 30, 2022, or December 31, 2021.

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

Risk Loan Information

(in thousands) As of:	**June 30, 2022**	December 31, 2021
Volume with specific allowance	**$ 434**	$ 824
Volume without specific allowance	**7,142**	7,975
Total risk loans	**$ 7,576**	$ 8,799
Total specific allowance	**$ 88**	$ 256
For the six months ended June 30	**2022**	2021
Income on accrual risk loans	**$ 54**	$ 65
Income on nonaccrual loans	**348**	201
Total income on risk loans	**$ 402**	$ 266
Average risk loans	**$ 8,167**	$ 9,825

Note: Accruing loans include accrued interest receivable.

We had no commitments to lend additional money to borrowers whose loans were classified as risk loans at June 30, 2022.

Troubled Debt Restructurings (TDRs)

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a TDR, also known as a formally restructured loan for regulatory purposes. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as TDRs are considered risk loans. All risk loans are analyzed within our allowance for loan losses. We record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral. There may be modifications made in the normal course of business that would not be considered TDRs.

There were no TDRs that occurred during the six months ended June 30, 2022, or 2021. In addition, there were no TDRs that defaulted during the six months ended June 30, 2022, or 2021, in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:		June 30, 2022		December 31, 2021
Accrual status:				
Real estate mortgage	**$**	**793**	$	789
Production and intermediate-term		**--**		412
Agribusiness		**1,615**		1,713
Total TDRs in accrual status	**$**	**2,408**	$	2,914
Nonaccrual status:				
Real estate mortgage	**$**	**246**	$	284
Production and intermediate-term		**464**		475
Agribusiness		**--**		--
Total TDRs in nonaccrual status	**$**	**710**	$	759
Total TDRs:				
Real estate mortgage	**$**	**1,039**	$	1,073
Production and intermediate-term		**464**		887
Agribusiness		**1,615**		1,713
Total TDRs	**$**	**3,118**	$	3,673

There were no commitments to lend to borrowers whose loans have been modified in a TDR at June 30, 2022.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) Six months ended June 30		2022		2021
Balance at beginning of period	**$**	**2,276**	$	2,251
Provision for loan losses		**342**		354
Loan recoveries		**50**		30
Loan charge-offs		**(322)**		(22)
Balance at end of period	**$**	**2,346**	$	2,613

The “Provision for credit losses” in the Consolidated Statements of Comprehensive Income includes a provision for loan losses as presented in the previous chart, as well as a provision for (reversal of) credit losses on unfunded commitments. The accrued credit losses on unfunded commitments are recorded in “Other liabilities” in the Consolidated Statements of Condition. Typically, accrued credit losses are relieved and replaced with an allowance for loan loss as the related commitments are funded.

Credit Loss Information on Unfunded Commitments

(in thousands) For the six months ended June 30		2022		2021
Provision for (reversal of) credit losses	**$**	**40**	$	(5)
As of:		**June 30, 2022**		December 31, 2021
Accrued credit losses	**$**	**73**	$	33

NOTE 3: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

Refer to Note 10 in our 2021 Annual Report for additional detail regarding contingencies and commitments.

NOTE 4: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 in our 2021 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at June 30, 2022, or December 31, 2021.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

As of June 30, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	**$ --**	**$ --**	**$ 363**	**$ 363**
Other property owned	**--**	**--**	**526**	**526**

As of December 31, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$ 596	$ 596
Other property owned	--	--	757	757

Valuation Techniques

Impaired Loans: Represents the carrying amount of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they are classified as Level 3.

Other Property Owned: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 5: SUBSEQUENT EVENTS

We have evaluated subsequent events through August 4, 2022, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.