AgSouth Farm Credit, ACA

FIRST QUARTER 2022

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2022 quarterly report of AgSouth Farm Credit, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

/s/ Pat Calhoun
Chief Executive Officer

/s/ Bo Fennell
Chief Financial Officer

/s/ H. Frank Ables, Jr.
Chairman of the Board

May 9, 2022

AgSouth Farm Credit, ACA

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and affected by its Board of Directors, management and other personnel. This process provides reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2022. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of March 31, 2022, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2022.

/s/ Pat Calhoun
Chief Executive Officer

/s/ Bo Fennell
Chief Financial Officer

May 9, 2022

AgSouth Farm Credit, ACA

Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of AgSouth Farm Credit, ACA (Association) for the period ended March 31, 2022. This information should be read in conjunction with the accompanying financial statements, notes to the financial statements, and the 2021 Annual Report of AgSouth Farm Credit, ACA. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

FORWARD LOOKING INFORMATION

This quarterly report contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors;
- weather-related, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry; and
- actions taken by the Federal Reserve System in implementing monetary policy.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a wide range of agricultural commodities produced in our region, including timber, poultry (broilers, turkeys and eggs), sod, nursery and horticulture, cotton, feed grains, soybeans and hay, beef cattle, horses, peanuts, blueberries, fruits, and nuts. Loans to producers of these commodities total $1,721,707 or 85.57 percent of the Association's portfolio. Farm size varies, and many of the Association's customers have diversified farming operations. These factors, along with the numerous opportunities for non-farm income in the area, reduce to some degree the level of income dependency on any given commodity.

AGRICULTURE OVERVIEW

The top three agricultural commodities by repayment source in the AgSouth Farm Credit, ACA portfolio are broilers, timber, and cotton. The purpose of this section is to give an overview of the top three agricultural commodities and other matters regarding other commodity groups as needed.

Broilers – In the National Agriculture Statistics Service's (NASS) report for the week ending March 26, 2022, domestic broiler growers placed 187 million chicks for meat production which is up slightly from a year ago. In Georgia, 26.3 million broiler chicks were placed which is a 4 percent decrease from the same time last year. South Carolina had 4.6 million broiler chicks placed which represents a 13 percent increase from a year ago. Avian influenza has been a notable concern over the first quarter of 2022. Twenty four states have been impacted in turkey, broiler, and egg laying operations. As of now, no cases have been found in any commercial poultry in Georgia or South Carolina. Indications from integrators in our footprint are they have revisited protocols for farm and operation visits similar to the last outbreak in 2017.

Timber - According to the first quarter 2022 *Market Report* by TimberMart-South, south-wide average stumpage prices increased for all 5 major products. Pine Sawtimber increased for the sixth consecutive quarter and was above $27 for the first time since 2010. Pine chip-n-saw increased for the seventh straight quarter and was above $21 for the first time since 2007. Steady demand along with continued supply chain issues have helped push the prices upwards. The market for wood and paper products continue to hold strong as prices for Southern pine lumber have increased more that 50 percent quarter over quarter, up 160 percent since September 2021.

Cotton - Planting has not yet started for cotton in Georgia or South Carolina as farmers have been preparing fields when dry conditions permit. According to the NASS *Prospective Planting Report* dated March 31, 2022, cotton plantings are estimated at 1.20 million acres in Georgia and 260,000 acres in South Carolina. This represents a 3 percent increase in Georgia and 24 percent increase in South Carolina.

Other Matters – Georgia and South Carolina experienced a late season frost in mid-March. Typically, late season frosts hurt bloomed or emerged crops which are currently blueberries and peaches in our footprint. The NASS *Georgia Crop Progress and Condition Report* dated April 4, 2022 says blueberry producers were concerned about significant loss in Georgia while Georgia peach producers do not expect significant impacts to yield. Reports from the field in Georgia indicate highbush blueberries with overhead frost protection should have a very good chance of minimal damage while the rabbiteye crop is likely to have substantial damage in the 30 percent to 50 percent range. The NASS *South Carolina Crop Progress and Condition Report* does not specifically state any damage to the peach crop. Reports from the field in South Carolina indicate there is an expected loss on early season variety peaches but the extent of the damage is unknown at this time.

ASSOCIATION BALANCE SHEET

The gross loan volume of the Association as of March 31, 2022 was $2,012,013 a decrease of $19,658 or less than one percent compared to $2,031,671 at December 31, 2021. Net loans outstanding at March 31, 2022 were $1,995,030 as compared to $2,013,959 at December 31, 2021. Net loans accounted for 96.64 percent of total assets at March 31, 2022, as compared to 95.02 percent of total assets at December 31, 2021.

The decrease in gross loan volume during the reporting period is attributed to payments and payoffs on operating lines of credit and term loans. Advances on operating lines are now being processed and growth in the portfolio is anticipated in the second quarter of 2022. Competition for good quality loans remains strong from some commercial banks, but the Association has remained competitive in a difficult rate environment.

The Association typically structures loans to meet the needs of the borrower. Many term loans are made for ten years or less allowing the borrower to build equity faster and thus reducing the risk in the loan portfolio.

At December 31, 2021 the Association held Investments in debt securities totaling $3,756. These investments are Rural America Bonds made under the authority for Mission Related Investments granted by the Farm Credit Administration (FCA). At March 31, 2022 Investments in debt securities totaled $3,705, a decrease of $51 from December 31, 2021. The 1.36 percent decrease is from payments received in 2022.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality is at an acceptable level and credit administration remains satisfactory. Nonaccrual loans decreased from $12,133 at December 31, 2021 to $9,901 at March 31, 2022. The balance of nonaccrual loans is decreased by loans returning to accrual status, liquidations, or transfer of assets to other property owned offset by transfers to nonaccrual status. Association staff is working diligently to work out all nonaccrual debt situations.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at March 31, 2022 was $16,983 compared to $17,712 at December 31, 2021 and was considered by management to be adequate to cover possible losses. Although management has not recognized any direct decline in credit quality, an adjustment to the qualitative factors seemed prudent given the financial climate. The reserve set aside for unfunded commitments is $267 which is a decrease of $271 compared to the total at December 31, 2021 of $538. The reserve for unfunded commitments is included in Other liabilities. The Asset/Liability Committee (ALCO) of the Association, which is comprised of members of executive management and staff assigned to special assets management, met in March 2022 to review the allowance account. The ALCO determines the composition between the allowance for loan losses on the outstanding portfolio and the reserve required for unfunded commitments. The ALCO considered the general economic conditions, the potential for deterioration in the existing portfolio, the loan growth in the portfolio, and the amount of outstanding loan commitments in determining the level of allowance.

As of the end of the first quarter of 2022, the Association had originated $80,357 in loans for the secondary market. Originations for the same period 2021 were $68,620. The 17.10 percent increase is due to increased volume as the market continues to remain strong for both refinancing and new home purchases given the historically low rate environment. As of March 31, 2022 the Association held $1,862 in qualifying Loans held for sale. At December 31, 2021 loans held for sale totaled $4,236.

Accrued interest receivable decreased $361 or 2.32 percent from $15,555 as of December 31, 2021 to $15,194 as of March 31, 2022. The decrease is related to the lower loan volume at March 31, 2022 compared to December 31, 2021.

Equity investments in other Farm Credit institutions increased from $20,688 at December 31, 2021 to $20,765 at March 31, 2022. The increase of $77, or less than one percent, is the result of a higher balance of investment in other Farm Credit institutions, which varies based on participations sold on a patronage basis.

Premises and equipment, net decreased $299 from $20,717 at December 31, 2021 to $20,418 at March 31, 2022. The primary reason for the decrease of 1.44 percent is due to depreciation on assets.

Other property owned decreased to $148 at March 31, 2022 from $215 at December 31, 2021. The decrease of $67 or 31.16 percent in Other property owned is the result of the sales and write-downs of Other property owned exceeding the acquisitions of Other property owned during the reporting period.

Accounts receivable decreased $32,831 from $36,947 at December 31, 2021 to $4,116 at March 31, 2022. The decrease is the result of the patronage distribution receivable at December 31, 2021 from AgFirst and other Farm Credit institutions, which totaled $14,777 in regular distribution and $21,523 in a special distribution. As of March 31, 2022 this line item included one quarter of patronage accrual from AgFirst and other Farm Credit institutions totaling $3,615.

Other assets increased from $2,711 at December 31, 2021 to $3,046 at March 31, 2022. The majority of other assets is made up of prepaid retirement expense which totaled $1,566 as of March 31, 2022.

On the liability side of the balance sheet, Notes payable to AgFirst Farm Credit Bank decreased from $1,617,876 at December 31, 2021 to $1,554,733 at March 31, 2022. The $63,143 or 3.90 percent decrease is tied to the decrease in loans outstanding.

Accrued interest payable decreased $18, or less than one percent, from $3,371 at December 31, 2021 to $3,353 at March 31, 2022. The decrease is due to the decrease in the notes payable balance outstanding.

Patronage refunds payable decreased $31,303 from $32,431 at December 31, 2021 to $1,128 at March 31, 2022. The decrease is the result of the 2021 All Cash Patronage Distribution on the Association's records at December 31, 2021 moving from Patronage refund payable to Other liabilities. This amount totaled $32,000 at December 31, 2021. Checks were mailed to customers during the first quarter of 2022. No patronage distribution had been declared for 2022 as of March 31, 2022.

Accounts payable decreased $1,723 from $3,067 at December 31, 2021 to $1,344 at March 31, 2022. The 56.18 percent decrease is due to the payable established to pay the insurance premiums on loans to the Farm Credit System Insurance Corporation (FCSIC). At December 31, 2021 the payable related to the FCSIC totaled $2,298, and at March 31, 2022 the payable was $571.

Other liabilities increased $47,622 from $15,224 at December 31, 2021 to $62,846 at March 31, 2022. The 312.81 percent increase is due to the 2021 All Cash Patronage Distribution and the revolvement of the 2016 series Allocated Surplus checks that were distributed to Association members. This balance will decrease as checks are presented at the commercial bank.

Capital stock and participation certificates increased from $11,107 at December 31, 2021 to $11,136 at March 31, 2022. The increase of $29 or less than one percent is due to new borrowers purchasing stock during the reporting period in excess of liquidations of stock when loans pay out.

Allocated surplus decreased from $121,081 at December 31, 2021 to $101,250 at March 31, 2022. This is a decrease of $19,831 or 16.38 percent. The reduction is from the decision made by the Board of Directors to revolve the 2016 series of Allocated Surplus in January 2022.

Unallocated surplus increased $13,091 or 4.13 percent from the December 31, 2021 balance of $317,250. The balance of $330,341 at March 31, 2022 includes the retention of a portion of 2021 fiscal year end earnings and earnings year to date in 2022.

Accumulated other comprehensive loss decreased $130 or 6.72 percent from the December 31, 2021 balance of $1,934. At March 31, 2022 there was a balance of $1,804.

RESULTS OF OPERATIONS

For the three months ended March 31, 2022

Net income for the three months ended March 31, 2022 totaled $13,091 as compared to $12,105 for the same period in 2021. This is an increase of $986 or 8.15 percent. Comprehensive income for the three months ended March 31, 2022 was $13,221 compared to $12,111 for the same period in 2021. Employee benefit plans adjustments are responsible for the difference between comprehensive income and net income. The following commentary explains the variance.

At March 31, 2022 interest income on loans increased $548 from $26,166 at March 31, 2021 to $26,714 at March 31, 2022. This increase of 2.09 percent is primarily due to an increase in loan volume while the portfolio loan yield has decreased between the two reporting periods.

For the three months ended March 31, 2022 interest income on investments totaled $63 compared to $67 for the three months ended March 31, 2021. Investment income declined $4 or 5.97 percent due to the lower outstanding balance of investments between the two reporting periods.

Interest expense for the three months ended March 31, 2022 increased $253 from $9,504 at March 31, 2021 to $9,757 at March 31, 2022. The variance of 2.66 percent is tied to the weighted average direct note rate between the two reporting periods.

Net interest income before the reversal of allowance for loan losses increased $291 for the three months ended March 31, 2022 as compared to the same period in 2021. The increase is due primarily to the higher interest income between the two reporting periods.

Net interest income after the reversal of allowance for loan losses increased $1,280 during the quarter ending March 31, 2022 compared to March 31, 2021. A reversal of allowance for loan losses of $1,051 was made in the quarter ending March 31, 2022. The reversal of allowance for loan losses entry represents an adjustment between the general provision and the unfunded commitments provision which is booked to Other liabilities.

Noninterest income increased $635 over the same period last year. The commentary that follows will detail the aggregate difference.

Loan fees decreased $396 or 23.32 percent, due to the discontinuation of the Small Business Administration's Paycheck Protection Program during the height of the pandemic in which the Association earned fees on those loans.

Fees for financially related services increased $99 from $547 at March 31, 2021 to $646 at March 31, 2022. The increase of 18.10 percent is primarily due to the increase in crop insurance income earned during the reporting period.

Patronage refunds from other Farm Credit institutions increased $267 from $3,485 at March 31, 2021 to $3,752 at March 31, 2022. The increase of 7.66 percent is due to an increase in patronage distribution from AgFirst on participations sold. See *Note 2* for more information.

Gains on the sale of rural home loans increased $296 from $674 at March 31, 2021 compared to $970 at March 31, 2022. The increase is due to the increase in volume of Secondary Mortgage Markets sold.

Gains on the sale of premises and equipment, net for the period ending March 31, 2022 totaled $92 compared to $0 for the period ending March 31, 2021. In 2022 the Association sold multiple Association vehicles whereas in 2021 there were not any sales transactions completed.

Gains on other transactions totaled $243 at March 31, 2022 compared to a Gains on other transactions of $66 at March 31, 2021. The difference of $177 or 268.18 percent is primarily related to the higher provision for unfunded commitments.

Other noninterest income was $162 during the three months ended March 31, 2022 compared to $62 for the three months ending March 31, 2021. The majority of this line item consists of fees received from Secondary Mortgage Market referrals.

Noninterest expense for the three months ended March 31, 2022 totaled $12,155 and increased $935 or 8.33 percent when compared to $11,220 for the same period of 2021. Salaries and employee benefits expense is the largest portion of noninterest expense and totaled $9,032 for the three months ended March 31, 2022. Salaries and employee benefits increased $592 between the two reporting periods. There is a 7.01 percent variance between the two reporting periods due to the increase in secondary market mortgage commissions paid tied to the increase in originations.

Occupancy and equipment expense at March 31, 2022 was $509 compared to $735 for the same period in 2021. This is a decrease of $226 or 30.75 percent. The decrease is tied to the reclassification of property tax expense.

The Insurance Fund premiums at March 31, 2022 were $571 and at March 31, 2021 were $548. The $23 or 4.20 percent increase is due to the higher premium assessment rate in 2022.

Purchased Services at March 31, 2022 were $435 and at March 31, 2021 were $306. The $129 or 42.16 percent increase is due to the purchase of additional third party services to gain efficiencies within the Association.

Data processing expense at March 31, 2022 was $135 compared to $110 for the same period in 2021. This is an increase of $25 or 22.73 percent. The increase is tied to the purchase of telecommunication services.

Other operating expenses increased $372 from $1,112 at March 31, 2021 compared to $1,484 at March 31, 2022. The increase of 33.45 percent is attributed to an increase in directors expense, Association vehicles, and marketing activities.

In the three months ending March 31, 2022 the Association experienced Gains on the sale of other property owned in the amount of $11. During the same period of 2021, the Association booked Gains on the sale of other property owned of $31. The gain is the result of sales exceeding any write-downs during the first quarter.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances the funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at March 31, 2022 was $1,554,733 as compared to $1,617,876 at December 31, 2021. The $63,143 decrease, or 3.90 percent, is directly tied to the decrease in loan volume.

CAPITAL RESOURCES

Total members' equity at December 31, 2021 totaled $447,504. At March 31, 2022 total members' equity had decreased by $6,581 to $440,923. The decrease in total members' equity is due to a decrease in Allocated retained earnings between the two reporting periods and the Association electing to move to an all cash patronage distribution. At December 31, 2021 Allocated retained earnings totaled $121,081 compared to $101,250 at March 31, 2022. The decrease is due to the revolvement of the 2016 series of allocated surplus in the first quarter of 2022. At December 31, 2021 Unallocated retained earnings totaled $317,250 and increased to $330,341. The increase in Unallocated retained earnings is due to the decision to retain a portion of the 2021 earnings for capital purposes and year to date 2022 earnings.

Total Capital stock and participation certificates were $11,136 on March 31, 2022 compared to $11,107 on December 31, 2021. The increase is attributed to the purchase of new stock and participation certificates for new borrowing entities offset by the retirement of stock and participation certificates on loans liquidated in the normal course of business.

The Association's capital ratios are calculated in accordance with FCA regulations, as follows:

- The CET1 ratio is the sum of statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of investments in other System institutions, divided by average risk-adjusted assets.
- The tier 1 capital ratio is CET1 capital plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- The total capital ratio is tier 1 capital plus other required borrower stock held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance for loan losses and reserve for unfunded commitments under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- The permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain investments in other System institutions, divided by PCR risk-adjusted assets.
- The tier 1 leverage ratio is tier 1 capital, divided by average assets less regulatory deductions to tier 1 capital.
- The UREE leverage ratio is unallocated retained earnings, paid-in capital, and allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions to tier 1 capital.

If the capital ratios fall below the minimum regulatory requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

The Association's regulatory capital ratios are shown in the following table:

Ratio	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of March 31, 2022
Risk-adjusted ratios:		
CET1 Capital	7.00%	16.02%
Tier 1 Capital	8.50%	16.02%
Total Capital	10.50%	21.98%
Permanent Capital Ratio	7.00%	21.30%
Non-risk-adjusted:		
Tier 1 Leverage Ratio	5.0%	15.58%
UREE Leverage Ratio	1.5%	15.04%

REGULATORY MATTERS

On April 14, 2022, the FCA approved a final rule that amends certain regulations to address changes in accounting principles generally accepted in the United States. Such changes reflect the Current Expected Credit Losses (CECL) methodology that will replace the incurred loss methodology upon adoption. Credit loss allowances related to loans, lessor's net investments in leases, and held-to-maturity debt securities would be included in a System institution's Tier 2 capital up to 1.25 percent of the System institution's total risk weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets would not be eligible for inclusion in a System institution's Tier 2 capital. The regulation does not include a transition phase-in period for the CECL day 1 cumulative effect adjustment to retained earnings on a System institution's regulatory capital ratios. In addition, the regulation does not include an exclusion for the CECL day 1 cumulative effective adjustment from the "safe harbor" deemed prior approval provision. The final rule is effective on January 1, 2023.

On August 26, 2021, the FCA issued a proposed rule to revise its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) by assigning a 150 percent risk-weighting to such exposures, instead of the current 100 percent. The proposed rule would ensure that the FCA's rule remains comparable with the capital rule of other federal banking regulatory agencies and recognizes the increased risk posed by HVCRE exposures. The public comment period ended on January 24, 2022.

Future of LIBOR

In 2017, the United Kingdom's Financial Conduct Authority (UK FCA), which regulates LIBOR, announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021.

On March 5, 2021, ICE Benchmark Administration (IBA) (the entity that is responsible for calculating LIBOR) announced its intention to cease the publication of the one-week and two-month US dollar LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining US dollar LIBOR settings immediately following the LIBOR publication on June 30, 2023. On the same day, the UK FCA announced that the IBA had notified the UK FCA of its intent, among other things, to cease providing certain US dollar LIBOR settings as of June 30, 2023. In its announcement, the UK FCA confirmed that all 35 LIBOR tenors (including with respect to US dollar LIBOR) will be discontinued or declared nonrepresentative as of either: (a) immediately after December 31, 2021 or (b) immediately after June 30, 2023.

The Association has exposure to LIBOR arising from loans made to customers and Systemwide Debt Securities issued by the Funding Corporation on the Bank's behalf, and preferred stock issued by the Bank. Alternative reference rates that replace LIBOR may not yield the same or similar economic results over the lives of the financial instruments, which could adversely affect the value of, and return on, instruments held.

The FCA has issued guidelines with similar guidance as the US prudential regulators but applicable for System institutions to follow as they prepare for the expected phase-out of LIBOR. The guidelines direct each System institution to develop a LIBOR transition plan designed to provide an orderly roadmap of actions that will reduce LIBOR exposure, stop the inflow of new LIBOR volume, and adjust operating processes to implement alternative reference rates.

The Association has implemented LIBOR transition plans and continues to analyze potential risks associated with the LIBOR transition, including, but not limited to, financial, market, accounting, operational, legal, tax, reputational, and compliance risks.

On July 26, 2021, the Alternative Reference Rates Committee (ARRC) announced it will recommend the CME Group's forward-looking SOFR term rates. The ARRC's formal recommendation of SOFR term rates is a major milestone and is expected to increase the volume of transactions quoted in SOFR, supporting the implementation of the transition away from LIBOR.

On October 20, 2021, the US prudential regulators issued a joint statement emphasizing the expectation that supervised institutions with LIBOR exposure continue to progress toward an orderly transition away from LIBOR, reiterating that supervised institutions should, with limited exceptions, cease entering into new contracts that use US dollar LIBOR as a reference rate as soon as practicable, but no later than December 31, 2021. They further stated that entering into new contracts, including derivatives, after that date would create safety and soundness risks. The joint statement clarified that entering into such new contracts would include an agreement that (1) creates additional LIBOR disclosure or (2) extends the term of an existing LIBOR contract, but that a draw on an existing agreement that is legally enforceable, e.g., a committed credit facility, would not be a new contract. The joint statement also provided considerations when assessing the appropriateness of alternative reference rates used in lieu of LIBOR and the regulator expectation that new or updated LIBOR contracts include strong and clearly defined fallback rates for when the initial reference rate is discontinued.

The following is a summary of outstanding variable-rate financial instruments tied to LIBOR at March 31, 2022:

(dollars in thousands)	**Due in 2022**	**Due in 2023 and Thereafter**	**Total**
Loans	$ 2,063	$ 9,063	$ 11,126
Total Assets	$ 2,063	$ 9,063	$ 11,126
Note Payable to AgFirst Farm Credit Bank	$ 1,579	$ 6,938	$ 8,517
Total Liabilities	$ 1,579	$ 6,938	$ 8,517

The LIBOR transition plan includes implementing fallback language into variable-rate financial instruments maturing after June 30, 2023 which provides the ability to move these instruments to another index if the LIBOR market is no longer viable. At March 31, 2022, 100 percent of loans maturing after June 30, 2023 contain fallback language.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements*, in the Notes to the Financial Statements, and the 2021 Annual Report to Shareholders for recently issued accounting pronouncements. Additional information is provided in the following table.

The following ASU was issued by the Financial Accounting Standards Board (FASB):

Summary of Guidance	Adoption and Potential Financial Statement Impact
ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	
• Replaces multiple existing impairment standards by establishing a single framework for financial assets to reflect management's estimate of current expected credit losses (CECL) over the entire remaining life of the financial assets. • Changes the present incurred loss impairment guidance for loans to an expected loss model. • Modifies the other-than-temporary impairment model for debt securities to require an allowance for credit impairment instead of a direct write-down, which allows for reversal of credit impairments in future periods based on improvements in credit quality. • Eliminates existing guidance for purchased credit impaired (PCI) loans, and requires recognition of an allowance for expected credit losses on these financial assets. • Requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption. • Effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application is permitted.	• Implementation efforts began with establishing a cross-discipline governance structure utilizing common guidance developed across the Farm Credit System. The implementation includes identification of key interpretive issues, scoping of financial instruments, and assessing existing credit loss forecasting models and processes against the new guidance. • The new guidance is expected to result in a change in allowance for credit losses due to several factors, including: 1. The allowance related to loans and commitments will most likely change because it will then cover credit losses over the full remaining expected life of the portfolio, and will consider expected future changes in macroeconomic conditions, 2. An allowance will be established for estimated credit losses on any debt securities, 3. The nonaccretable difference on any PCI loans will be recognized as an allowance, offset by an increase in the carrying value of the related loans. • The extent of allowance change is under evaluation, but will depend upon the nature and characteristics of the financial instrument portfolios, and the macroeconomic conditions and forecasts, at the adoption date. • The guidance is expected to be adopted January 1, 2023.

NOTE: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's Annual and Quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, ***www.agfirst.com***. Copies of the Association's Annual and Quarterly reports are also available upon request free of charge by calling 1-800-633-9091, ext. 2674, writing Bo Fennell, CFO, AgSouth Farm Credit, ACA, P.O. Box 718, Statesboro, GA 30459, or accessing the Association's website ***www.agsouthfc.com***. The Association prepares an electronic version of the Annual Report which is available on the Association's web site within 75 days after the end of the fiscal year and distributes the Annual report to Shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Reports of suspected or actual wrongdoings involving the Association, its employees and/or Directors, can be made anonymously and confidentially through the Association's Whistleblower Hotline (NAVEX Global) at 1-833-220-9744 or ***www.agsouth.ethicspoint.com***.

AgSouth Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2022	December 31, 2021
	(unaudited)	*(audited)*
Assets		
Cash	**$ 43**	$ 689
Investments in debt securities:		
Held to maturity (fair value of $3,790 and $4,061, respectively)	**3,705**	3,756
Loans	**2,012,013**	2,031,671
Allowance for loan losses	**(16,983)**	(17,712)
Net loans	**1,995,030**	2,013,959
Loans held for sale	**1,862**	4,236
Accrued interest receivable	**15,194**	15,555
Equity investments in other Farm Credit institutions	**20,765**	20,688
Premises and equipment, net	**20,418**	20,717
Other property owned	**148**	215
Accounts receivable	**4,116**	36,947
Other assets	**3,046**	2,711
Total assets	**$ 2,064,327**	$ 2,119,473
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 1,554,733**	$ 1,617,876
Accrued interest payable	**3,353**	3,371
Patronage refunds payable	**1,128**	32,431
Accounts payable	**1,344**	3,067
Other liabilities	**62,846**	15,224
Total liabilities	**1,623,404**	1,671,969
Commitments and contingencies (Note 8)		
Members' Equity		
Capital stock and participation certificates	**11,136**	11,107
Retained earnings		
Allocated	**101,250**	121,081
Unallocated	**330,341**	317,250
Accumulated other comprehensive income (loss)	**(1,804)**	(1,934)
Total members' equity	**440,923**	447,504
Total liabilities and members' equity	**$ 2,064,327**	$ 2,119,473

The accompanying notes are an integral part of these consolidated financial statements.

AgSouth Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended March 31, 2022	2021
Interest Income		
Loans	**$ 26,714**	$ 26,166
Investments	**63**	67
Total interest income	**26,777**	26,233
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	**9,757**	9,504
Total interest expense	**9,757**	9,504
Net interest income	**17,020**	16,729
Provision for (reversal of) allowance for loan losses	**(1,051)**	(62)
Net interest income after provision for (reversal of) allowance for loan losses	**18,071**	16,791
Noninterest Income		
Loan fees	**1,302**	1,698
Fees for financially related services	**646**	547
Patronage refunds from other Farm Credit institutions	**3,752**	3,485
Gains (losses) on sales of rural home loans, net	**970**	674
Gains (losses) on sales of premises and equipment, net	**92**	—
Gains (losses) on other transactions	**243**	66
Other noninterest income	**162**	62
Total noninterest income	**7,167**	6,532
Noninterest Expense		
Salaries and employee benefits	**9,032**	8,440
Occupancy and equipment	**509**	735
Insurance Fund premiums	**571**	548
Purchased services	**435**	306
Data processing	**135**	110
Other operating expenses	**1,484**	1,112
(Gains) losses on other property owned, net	**(11)**	(31)
Total noninterest expense	**12,155**	11,220
Income before income taxes	**13,083**	12,103
Provision (benefit) for income taxes	**(8)**	(2)
Net income	**$ 13,091**	$ 12,105
Other comprehensive income net of tax		
Employee benefit plans adjustments	**130**	6
Comprehensive income	**$ 13,221**	$ 12,111

The accompanying notes are an integral part of these consolidated financial statements.

AgSouth Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2020	$ 10,626	$ 139,757	$ 286,811	$ (693)	$ 436,501
Comprehensive income			12,105	6	12,111
Capital stock/participation certificates issued/(retired), net	117				117
Retained earnings retired		(18,351)			(18,351)
Patronage distribution adjustment		(267)	250		(17)
Balance at March 31, 2021	$ 10,743	$ 121,139	$ 299,166	$ (687)	$ 430,361
Balance at December 31, 2021	**$ 11,107**	**$ 121,081**	**$ 317,250**	**$ (1,934)**	**$ 447,504**
Comprehensive income			**13,091**	**130**	**13,221**
Capital stock/participation certificates issued/(retired), net	**29**				**29**
Retained earnings retired		**(19,831)**			**(19,831)**
Balance at March 31, 2022	**$ 11,136**	**$ 101,250**	**$ 330,341**	**$ (1,804)**	**$ 440,923**

The accompanying notes are an integral part of these consolidated financial statements.

AgSouth Farm Credit, ACA

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

Organization

The accompanying financial statements include the accounts of AgSouth Farm Credit, ACA and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (collectively, the Association). A description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2021 are contained in the 2021 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

Significant Accounting Policies

The Association's accounting and reporting policies conform with US generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for loan losses (Note 2, *Loans and Allowance for Loan Losses*), investment securities and other-than-temporary impairment (Note 3, *Investments*), and financial instruments (Note 6, *Fair Value Measurement*). Actual results could differ from those estimates.

For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

Accounting Standards Updates (ASUs) Issued During the Period and Applicable to the Association

The following ASU was issued by the Financial Accounting Standards Board (FASB) since the most recent year-end:

- In March 2022, the FASB issued ASU 2022-02 Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. This Update responds to feedback received during the Post Implementation Review process conducted by the FASB related to Topic 326.
    1. Troubled Debt Restructurings (TDRs) by Creditors
       The amendments eliminate the accounting guidance for TDRs by creditors in Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance in paragraphs 310-20-35-9 through 35-11 to determine whether a modification results in a new loan or a continuation of an existing loan.
    2. Vintage Disclosures—Gross Writeoffs
       For public business entities, the amendments in this Update require that an entity disclose current period gross writeoffs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost.

These amendments will be implemented in conjunction with the adoption of ASU 2016-13.

ASUs Pending Effective Date

For a detailed description of the ASUs below, see the latest Annual Report.

Potential effects of ASUs issued in previous periods:

- In June 2016, the FASB issued ASU 2016-13 Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This Update, and subsequent clarifying guidance issued, is intended to improve financial reporting by requiring timelier recording of credit losses on financial instruments. It requires an organization to measure all expected credit losses for financial assets held at the reporting date through the life of the financial instrument. Financial institutions and other organizations will use forward-looking information to estimate their credit losses. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For public companies that are not SEC filers, it will take effect for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Evaluation of any possible effects the guidance may have on the statements of financial condition and results of operations is in progress.

Accounting Standards Effective During the Period

There were no changes in the accounting principles applied from the latest Annual Report.

Note 2 — Loans and Allowance for Loan Losses

The Association maintains an allowance for loan losses at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of the report date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan charge-offs and allowance reversals. A review of individual loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Association has been identified. See Note 3, *Loans and Allowance for Loan Losses*, from the latest Annual Report for further discussion.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the board of directors.

A summary of loans outstanding at period end follows:

	March 31, 2022	December 31, 2021
Real estate mortgage	$ 1,585,913	$ 1,563,155
Production and intermediate-term	285,981	324,964
Processing and marketing	22,333	23,743
Farm-related business	18,946	19,427
Rural residential real estate	98,675	100,215
Other (including Mission Related)	165	167
Total loans	$ 2,012,013	$ 2,031,671

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration (FCA) regulations. The following tables present the principal balance of participation loans at periods ended:

	March 31, 2022							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 9,295	$ 134,287	$ 329	$ 8,053	$ –	$ –	$ 9,624	$ 142,340
Production and intermediate-term	2,549	39,735	1,199	–	2,414	–	6,162	39,735
Processing and marketing	–	122,380	–	23,719	–	–	–	146,099
Farm-related business	896	4,173	–	–	–	–	896	4,173
Total	$ 12,740	$ 300,575	$ 1,528	$ 31,772	$ 2,414	$ –	$ 16,682	$ 332,347

	December 31, 2021							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 9,751	$ 145,471	$ 336	$ 8,053	$ –	$ –	$ 10,087	$ 153,524
Production and intermediate-term	3,009	32,090	1,231	–	2,523	–	6,763	32,090
Processing and marketing	–	124,085	181	24,206	–	–	181	148,291
Farm-related business	915	10,018	–	–	–	–	915	10,018
Total	$ 13,675	$ 311,664	$ 1,748	$ 32,259	$ 2,523	$ –	$ 17,946	$ 343,923

The recorded investment in a receivable is the face amount increased or decreased by applicable accrued interest, unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

The following table shows the recorded investment of loans, classified under the FCA Uniform Loan Classification System, as a percentage of the recorded investment of total loans by loan type as of:

	March 31, 2022	December 31, 2021
Real estate mortgage:		
Acceptable	98.57%	98.59%
OAEM	0.54	0.50
Substandard/doubtful/loss	0.89	0.91
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	96.43%	96.61%
OAEM	2.05	1.95
Substandard/doubtful/loss	1.52	1.44
	100.00%	100.00%
Processing and marketing:		
Acceptable	98.65%	95.02%
OAEM	–	–
Substandard/doubtful/loss	1.35	4.98
	100.00%	100.00%
Farm-related business:		
Acceptable	87.82%	87.52%
OAEM	2.92	2.84
Substandard/doubtful/loss	9.26	9.64
	100.00%	100.00%

	March 31, 2022	December 31, 2021
Rural residential real estate:		
Acceptable	98.90%	99.03%
OAEM	0.43	0.42
Substandard/doubtful/loss	0.67	0.55
	100.00%	100.00%
Other (including Mission Related):		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Total loans:		
Acceptable	98.18%	98.15%
OAEM	0.77	0.75
Substandard/doubtful/loss	1.05	1.10
	100.00%	100.00%

The following tables provide an aging analysis of the recorded investment of past due loans as of:

	March 31, 2022				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 7,028	$ 3,171	$ 10,199	$ 1,586,890	$ 1,597,089
Production and intermediate-term	1,598	2,128	3,726	285,427	289,153
Processing and marketing	91	–	91	22,494	22,585
Farm-related business	140	480	620	18,515	19,135
Rural residential real estate	739	76	815	98,243	99,058
Other (including Mission Related)	–	–	–	166	166
Total	$ 9,596	$ 5,855	$ 15,451	$ 2,011,735	$ 2,027,186

	December 31, 2021				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 6,001	$ 3,612	$ 9,613	$ 1,564,204	$ 1,573,817
Production and intermediate-term	1,987	2,057	4,044	325,190	329,234
Processing and marketing	181	–	181	23,722	23,903
Farm-related business	160	498	658	18,930	19,588
Rural residential real estate	675	56	731	99,763	100,494
Other (including Mission Related)	–	–	–	169	169
Total	$ 9,004	$ 6,223	$ 15,227	$ 2,031,978	$ 2,047,205

Nonperforming assets (including related accrued interest as applicable) and related credit quality statistics at period end were as follows:

	March 31, 2022	December 31, 2021
Nonaccrual loans:		
Real estate mortgage	$ 6,350	$ 6,919
Production and intermediate-term	2,767	3,475
Processing and marketing	–	880
Farm-related business	688	691
Rural residential real estate	96	168
Total	$ 9,901	$ 12,133
Accruing restructured loans:		
Real estate mortgage	$ 5,546	$ 5,733
Production and intermediate-term	1,007	918
Rural residential real estate	17	29
Total	$ 6,570	$ 6,680
Accruing loans 90 days or more past due:		
Total	$ –	$ –
Total nonperforming loans	$ 16,471	$ 18,813
Other property owned	148	215
Total nonperforming assets	$ 16,619	$ 19,028
Nonaccrual loans as a percentage of total loans	0.49%	0.60%
Nonperforming assets as a percentage of total loans and other property owned	0.83%	0.94%
Nonperforming assets as a percentage of capital	3.77%	4.25%

The following table presents information related to the recorded investment of impaired loans at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	March 31, 2022	December 31, 2021
Impaired nonaccrual loans:		
Current as to principal and interest	$ 3,068	$ 3,724
Past due	6,833	8,409
Total	$ 9,901	$ 12,133
Impaired accrual loans:		
Restructured	$ 6,570	$ 6,680
90 days or more past due	–	–
Total	$ 6,570	$ 6,680
Total impaired loans	$ 16,471	$ 18,813
Additional commitments to lend	$ –	$ –

The following tables present additional impaired loan information at period end. Unpaid principal balance represents the contractual principal balance of the loan.

	March 31, 2022			Three Months Ended March 31, 2022	
Impaired loans:	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**
With a related allowance for credit losses:					
Real estate mortgage	$ –	$ –	$ –	$ –	$ –
Production and intermediate-term	96	94	75	106	2
Farm-related business	102	154	25	113	3
Rural residential real estate	–	–	–	–	–
Total	$ 198	$ 248	$ 100	$ 219	$ 5
With no related allowance for credit losses:					
Real estate mortgage	$ 11,896	$ 14,266	$ –	$ 13,150	$ 282
Production and intermediate-term	3,678	5,305	–	4,067	87
Farm-related business	586	1,083	–	647	13
Rural residential real estate	113	145	–	125	3
Total	$ 16,273	$ 20,799	$ –	$ 17,989	$ 385
Total impaired loans:					
Real estate mortgage	$ 11,896	$ 14,266	$ –	$ 13,150	$ 282
Production and intermediate-term	3,774	5,399	75	4,173	89
Farm-related business	688	1,237	25	760	16
Rural residential real estate	113	145	–	125	3
Total	$ 16,471	$ 21,047	$ 100	$ 18,208	$ 390

Impaired loans:	December 31, 2021 Recorded Investment	Unpaid Principal Balance	Related Allowance	Year Ended December 31, 2021 Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	$ –	$ –	$ –	$ –	$ –
Production and intermediate-term	297	317	94	340	24
Processing and marketing	–	–	–	–	–
Farm-related business	157	167	25	180	12
Rural residential real estate	–	–	–	–	–
Total	$ 454	$ 484	$ 119	$ 520	$ 36
With no related allowance for credit losses:					
Real estate mortgage	$ 12,652	$ 15,001	$ –	$ 14,475	$ 1,008
Production and intermediate-term	4,096	6,189	–	4,686	326
Processing and marketing	880	905	–	1,008	70
Farm-related business	534	1,073	–	611	43
Rural residential real estate	197	269	–	224	15
Total	$ 18,359	$ 23,437	$ –	$ 21,004	$ 1,462
Total impaired loans:					
Real estate mortgage	$ 12,652	$ 15,001	$ –	$ 14,475	$ 1,008
Production and intermediate-term	4,393	6,506	94	5,026	350
Processing and marketing	880	905	–	1,008	70
Farm-related business	691	1,240	25	791	55
Rural residential real estate	197	269	–	224	15
Total	$ 18,813	$ 23,921	$ 119	$ 21,524	$ 1,498

A summary of changes in the allowance for loan losses and recorded investment in loans for each reporting period follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Rural Residential Real Estate	Other (including Mission Related)	Total
Activity related to the allowance for credit losses:						
Balance at December 31, 2021	$ 13,525	$ 2,923	$ 399	$ 864	$ 1	$ 17,712
Charge-offs	(25)	(48)	–	(3)	–	(76)
Recoveries	61	331	2	4	–	398
Provision for loan losses	(260)	(722)	(29)	(40)	–	(1,051)
Balance at March 31, 2022	$ 13,301	$ 2,484	$ 372	$ 825	$ 1	$ 16,983
Balance at December 31, 2020	$ 13,021	$ 3,017	$ 538	$ 779	$ 2	$ 17,357
Charge-offs	–	(41)	(72)	(7)	–	(120)
Recoveries	80	92	1	2	–	175
Provision for loan losses	169	(299)	30	38	–	(62)
Balance at March 31, 2021	$ 13,270	$ 2,769	$ 497	$ 812	$ 2	$ 17,350
Allowance on loans evaluated for impairment:						
Individually	$ –	$ 75	$ 25	$ –	$ –	$ 100
Collectively	13,301	2,409	347	825	1	16,883
Balance at March 31, 2022	$ 13,301	$ 2,484	$ 372	$ 825	$ 1	$ 16,983
Individually	$ –	$ 94	$ 25	$ –	$ –	$ 119
Collectively	13,525	2,829	374	864	1	17,593
Balance at December 31, 2021	$ 13,525	$ 2,923	$ 399	$ 864	$ 1	$ 17,712
Recorded investment in loans evaluated for impairment:						
Individually	$ 11,896	$ 3,774	$ 688	$ 113	$ –	$ 16,471
Collectively	1,585,193	285,379	41,032	98,945	166	2,010,715
Balance at March 31, 2022	$ 1,597,089	$ 289,153	$ 41,720	$ 99,058	$ 166	$ 2,027,186
Individually	$ 12,652	$ 4,393	$ 1,571	$ 197	$ –	$ 18,813
Collectively	1,561,165	324,841	41,920	100,297	169	2,028,392
Balance at December 31, 2021	$ 1,573,817	$ 329,234	$ 43,491	$ 100,494	$ 169	$ 2,047,205

**Includes the loan types: Loans to cooperatives, Processing and marketing, and Farm-related business.*

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The following tables present additional information about pre-modification and post-modification outstanding recorded investment and the effects of the modifications that occurred during the periods presented.

	Three Months Ended March 31, 2022				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Real estate mortgage	$ 512	$ –	$ –	$ 512	
Production and intermediate-term	–	11	–	11	
Rural residential real estate	17	–	–	17	
Total	$ 529	$ 11	$ –	$ 540	
Post-modification:					
Real estate mortgage	$ 512	$ –	$ –	$ 512	$ –
Production and intermediate-term	–	11	–	11	–
Rural residential real estate	17	–	–	17	–
Total	$ 529	$ 11	$ –	$ 540	$ –

	Three Months Ended March 31, 2021				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Real estate mortgage	$ 347	$ 2,140	$ –	$ 2,487	
Production and intermediate-term	–	281	–	281	
Total	$ 347	$ 2,421	$ –	$ 2,768	
Post-modification:					
Real estate mortgage	$ 352	$ 2,140	$ –	$ 2,492	$ –
Production and intermediate-term	–	281	–	281	–
Total	$ 352	$ 2,421	$ –	$ 2,773	$ –

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

The following table presents outstanding recorded investment for TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

	Three Months Ended March 31,	
	2022	**2021**
Real estate mortgage	$ 112	$ 597
Production and intermediate-term	171	30
Total	$ 283	$ 627

The following table provides information on outstanding loans restructured in troubled debt restructurings at period end. These loans are included as impaired loans in the impaired loan table:

	Total TDRs		Nonaccrual TDRs	
	March 31, 2022	**December 31, 2021**	**March 31, 2022**	**December 31, 2021**
Real estate mortgage	$ 9,358	$ 9,707	$ 3,812	$ 3,974
Production and intermediate-term	1,487	1,602	480	684
Farm-related business	3	3	3	3
Rural residential real estate	17	29	–	–
Total loans	$ 10,865	$ 11,341	$ 4,295	$ 4,661
Additional commitments to lend	$ –	$ –		

Note 3 — Investments

Investments in Debt Securities

The Association's investments consist primarily of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment (MRI) program approved by the FCA. In its Conditions of Approval for the program, the FCA generally considers a RAB ineligible if its investment rating, based on the internal 14-point risk rating scale used to also grade loans, falls below 9 and requires System institutions to provide notification to FCA when a security becomes ineligible. Any other bonds purchased under the MRI program, approved on a case-by-case basis by FCA, may have different eligibility requirements. At March 31, 2022 the Association held no RABs whose credit quality had deteriorated beyond the program limits.

A summary of the amortized cost and fair value of investment securities held-to-maturity follows:

	March 31, 2022				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 3,705	$ 85	$ –	$ 3,790	6.79%

	December 31, 2021				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 3,756	$ 305	$ –	$ 4,061	6.66%

A summary of the contractual maturity, amortized cost and estimated fair value of investment securities held-to-maturity follows:

	March 31, 2022		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ –	$ –	–%
After one year through five years	–	–	–
After five years through ten years	–	–	–
After ten years	3,705	3,790	6.79
Total	$ 3,705	$ 3,790	6.79%

All of these investments have contractual maturities in excess of ten years. However, expected maturities for these types of securities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

An investment is considered impaired if its fair value is less than its cost. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified. The Association had no investments that were in a continuous unrealized loss position for the periods presented.

The recording of an impairment is predicated on: (1) whether or not management intends to sell the security, (2) whether it is more likely than not that management would be required to sell the security before recovering its costs, and (3) whether management expects to recover the security's entire amortized cost basis (even if there is no intention to sell). If the Association intends to sell the security or it is more likely than not that it would be required to sell the security, the impairment loss equals the full difference between amortized cost and fair value of the security. When the Association does not intend to sell securities in an unrealized loss position and it is not more likely than not that it would be required to sell the securities, other-than-temporary impairment loss is separated into credit loss and non-credit loss. Credit loss is defined as the shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis.

The Association performs periodic credit reviews, including other-than-temporary impairment analyses, on its investment securities portfolio. The objective is to quantify future possible loss of principal or interest due on securities in the portfolio.

The Association has not recognized any credit losses as any impairments were deemed temporary and resulted from non-credit related factors. The Association has the ability and intent to hold these temporarily impaired investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities, especially after considering credit enhancements.

Equity Investments in Other Farm Credit System Institutions

Equity investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA. These investments are carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Associations are required to maintain ownership in AgFirst (AgFirst or the Bank) in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owned 6.60 percent of the issued stock of the Bank as of March 31, 2022 net of any reciprocal investment. As of that date, the Bank's assets totaled $39.1 billion and shareholders' equity totaled $2.0 billion. The Bank's earnings were $113 million for the first three months of 2022. In addition, the Association held investments of $3,813 related to other Farm Credit institutions.

Note 4 — Debt

Notes Payable to AgFirst Farm Credit Bank

The Association's indebtedness to the Bank represents borrowings by the Association to fund its earning assets. This indebtedness is collateralized by a pledge of substantially all of the Association's assets. The contractual terms of the revolving line of credit are contained in the General Financing Agreement (GFA). The GFA also defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants, among others.

Note 5 — Members' Equity

Accumulated Other Comprehensive Income (AOCI)

	Changes in Accumulated Other Comprehensive Income by Component *(a)*			
	Three Months Ended March 31,			
		2022		**2021**
Employee Benefit Plans:				
Balance at beginning of period	$	(1,934)	$	(693)
Other comprehensive income before reclassifications		–		–
Amounts reclassified from AOCI		130		6
Net current period other comprehensive income		130		6
Balance at end of period	$	(1,804)	$	(687)

	Reclassifications Out of Accumulated Other Comprehensive Income *(b)*				
	Three Months Ended March 31,				
		2022		**2021**	**Income Statement Line Item**
Defined Benefit Pension Plans:					
Periodic pension costs	$	(130)	$	(6)	See Note 7.
Net amounts reclassified	$	(130)	$	(6)	

(a) Amounts in parentheses indicate debits to AOCI.
(b) Amounts in parentheses indicate debits to profit/loss.

Note 6 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

The classifications within the fair value hierarchy are as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

There were no Level 3 assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. Other Financial Instruments are not measured at fair value in the statement of financial position, but their fair values are estimated as of each period end date. The following tables summarize the carrying amounts of these assets and liabilities at period end, and their related fair values.

	March 31, 2022				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Assets held in trust funds	$ 2,335	$ 2,335	$ –	$ –	$ 2,335
Recurring Assets	$ 2,335	$ 2,335	$ –	$ –	$ 2,335
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 98	$ –	$ –	$ 98	$ 98
Other property owned	148	–	–	174	174
Nonrecurring Assets	$ 246	$ –	$ –	$ 272	$ 272
Other Financial Instruments					
Assets:					
Cash	$ 43	$ 43	$ –	$ –	$ 43
Investment securities, held-to-maturity	3,705	–	–	3,790	3,790
Loans	1,996,794	–	–	1,946,977	1,946,977
Other Financial Assets	$ 2,000,542	$ 43	$ –	$ 1,950,767	$ 1,950,810
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 1,554,733	$ –	$ –	$ 1,493,202	$ 1,493,202
Other Financial Liabilities	$ 1,554,733	$ –	$ –	$ 1,493,202	$ 1,493,202

	December 31, 2021				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Assets held in trust funds	$ 2,354	$ 2,354	$ –	$ –	$ 2,354
Recurring Assets	$ 2,354	$ 2,354	$ –	$ –	$ 2,354
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 335	$ –	$ –	$ 335	$ 335
Other property owned	215	–	–	253	253
Nonrecurring Assets	$ 550	$ –	$ –	$ 588	$ 588
Other Financial Instruments					
Assets:					
Cash	$ 689	$ 689	$ –	$ –	$ 689
Investment securities, held-to-maturity	3,756	–	–	4,061	4,061
Loans	2,017,860	–	–	2,028,185	2,028,185
Other Financial Assets	$ 2,022,305	$ 689	$ –	$ 2,032,246	$ 2,032,935
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 1,617,876	$ –	$ –	$ 1,610,164	$ 1,610,164
Other Financial Liabilities	$ 1,617,876	$ –	$ –	$ 1,610,164	$ 1,610,164

Uncertainty in Measurements of Fair Value

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the tables that follow. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

Investment Securities

The fair values of predominantly all Level 3 investment securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The models used to determine fair value for these instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs generally include discount rate components including risk premiums, prepayment estimates, default estimates and loss severities.

These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if the prepayment input were to increase (decrease).

Generally, a change in the assumption used for defaults is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayments. Unobservable inputs for loss severities do not normally increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

Inputs to Valuation Techniques

Management determines the Association's valuation policies and procedures. The Bank performs the majority of the Association's valuations, and its valuation processes are calibrated annually by an independent consultant. The fair value measurements are analyzed on a quarterly basis. For other valuations, documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing that is available.

Quoted market prices are generally not available for the instruments presented below. Accordingly fair values are based on judgments regarding anticipated cash flows, future expected loss, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and take into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Investment securities, held-to-maturity	Discounted cash flow	Prepayment rates Risk-adjusted discount rate
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

Note 7 — Employee Benefit Plans

The following is a table of retirement and other postretirement benefit expenses for the Association:

	Three Months Ended March 31, 2022	2021
Pension	$ 707	$ 1,250
401(k)	432	414
Other postretirement benefits	210	227
Total	$ 1,349	$ 1,891

Expenses in the above table are computed using allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the respective Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2022.

Further details regarding employee benefit plans are contained in the 2021 Annual Report to Shareholders.

Note 8 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for monetary damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association.

Note 9 — Subsequent Events

The Association evaluated subsequent events and determined there were none requiring disclosure through May 9, 2022, which was the date the financial statements were issued.