



Premier Farm Credit

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3RD QUARTER REPORT 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Unaudited)

The following discussion summarizes the financial position and results of operations of Premier Farm Credit, ACA (the Association) for the nine months ended September 30, 2022, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2021 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

The shareholders' investment in Premier Farm Credit, ACA is materially affected by the financial condition and results of operations of CoBank, ACB, (CoBank). The 2021 CoBank Annual Report to Shareholders, and the CoBank quarterly shareholders' reports are available free of charge by accessing CoBank's website, www.cobank.com, or may be obtained at no charge by contacting us at 202 Poplar Street, Sterling, Colorado 80751 or calling (970) 522-5295.

The general and local economies continue to perform well with low unemployment, strong housing demand, new business investment, and strength in the energy sector. Many producers had strong earnings in 2021 resulting from higher commodity prices, government support payments and average to above average production. Agricultural commodity values have been strong and are anticipated to remain strong for the remainder of 2022. However, high input costs are relevant and the need for adequate production is important to provide positive earnings for producers. Weather conditions remain challenging with dry conditions across our lending territory. Most of the region is in severe to extreme drought causing stressed cropland and rangeland conditions. Ranchers marketed stocker calves earlier than normal and are marketing calves off cows earlier than normal, along with some liquidation of cows. Wheat and dryland corn yields are lower than normal, while millet yields are near normal. Irrigated operators had adequate water supply and with harvest around the corner, the irrigated crops are estimated to yield slightly lower than last year. Producers are managing rising input costs, the drought, and striving for operational profit. Credit quality within the loan portfolio has improved since the beginning of the year and is anticipated to remain stable for the remainder of 2022.

While the U.S. economy remains healthy, severe supply chain disruptions, labor shortages, fuel prices, inflation, weather related events and recession pressures remain a concern. The rural economy is benefitting from the strong U.S. economy, driving higher levels of spending and investment by businesses and consumers. Most agricultural commodity prices have increased sharply thus far in 2022 and remain highly volatile. The Russia/Ukraine conflict has also impacted certain agricultural commodity prices and created additional volatility and uncertainty in the markets. From a monetary policy perspective, the Fed has increased rates multiple times in 2022, with the first interest rate increase of 25 basis points in March 2022, 50 basis points in May 2022, 75 basis points in June 2022, 75 basis points in July 2022 and 75 basis points in September 2022. Anticipation of tighter monetary policy is contributing to a stronger dollar and changes in the shape of the yield curve.

LOAN PORTFOLIO

Loans outstanding at September 30, 2022, totaled \$911.8 million, an increase of \$60.5 million, or 7.1%, from loans of \$851.3 million at December 31, 2021. The increase was primarily due to new loans booked, partially offset by loan prepayments and principal reductions on term loans.

RESULTS OF OPERATIONS

Net income for the nine months ended September 30, 2022, was \$13.1 million, an increase of \$1.9 million, or 16.6%, from the same period ended one year ago. The increase in net income was primarily attributed to increases in net interest income, noninterest income, and in credit loss reversals, partially offset by increased noninterest expense.

For the nine months ended September 30, 2022, net interest income was \$17.6 million, an increase of \$1.6 million, or 10.3%, compared with the nine months ended September 30, 2021. Net interest income increased as a result of increased loan volume and higher returns on equity.

The credit loss reversal for the nine months ended September 30, 2022, was \$642 thousand, compared with provision for credit losses of \$22 thousand for the same period ended one year ago. The credit loss reversal is a result of reversals made related to qualitative reserves and other adjustments relative to both funded and unfunded commitments in response to improved credit quality and economic conditions. These reversals were partially offset with provisions for credit losses as a result of increased loan volume and nonaccrual loan volume.

Noninterest income increased \$593 thousand during the first nine months of 2022 compared with the first nine months of 2021. The increase was attributed in part to increased patronage distributions from Farm Credit institutions, which increased \$300 thousand during the first nine months ended September 30, 2022, compared with

the first nine months in 2021. This increased patronage was primarily due to increased CoBank patronage related to our direct note payable to CoBank.

We received mineral income of \$594 thousand during the first nine months of 2022, which is distributed to us quarterly by CoBank. The \$223 thousand increase for the nine months ended September 30, 2022, compared with first nine months of 2021 is reflective of the higher oil and gas commodity prices paid on production during the period.

During the first nine months of 2022, noninterest expense increased \$1.1 million to \$9.2 million, primarily due to increased salaries and employee benefits, Farm Credit insurance fund premiums, purchased services, and other noninterest expenses. Farm Credit System Insurance Corporation (FCSIC) premiums increased \$288 thousand for the nine months ended September 30, 2022 compared with the same period in 2021 due to an increase in the insurance premium accrual assessment rate on System wide adjusted insured debt from 16 basis points to 20 basis points, which was retroactively applied for 2022 during the second quarter.

CAPITAL RESOURCES

Our shareholders' equity at September 30, 2022, was \$203.4 million, an increase from \$190.3 million at December 31, 2021. This increase is due to net income and the amortization of pension costs included in the net periodic benefit cost, offset by net stock reductions.

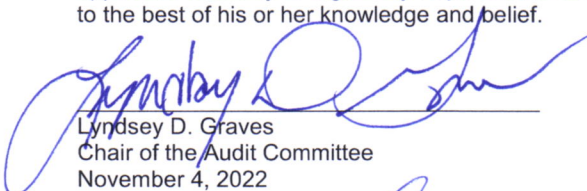
OTHER MATTERS

On December 8, 2021, the FCA issued an informational memorandum to provide additional guidance to Farm Credit System institutions on their transition away from LIBOR. The guidance encourages Farm Credit System institutions to stop entering into new contracts that reference LIBOR as soon as practicable, and in any event no later than December 31, 2021. Entering into new LIBOR-referenced contracts after that date would present safety and soundness risk. The guidance also provides clarity on what the FCA considers a new LIBOR-indexed contract; whether purchases of legacy LIBOR-indexed loans and investments are deemed new contracts; limited exceptions for entering into new LIBOR contracts that reduce or hedge risk in legacy LIBOR contracts; and the due diligence and other procedures required before using other benchmark/reference rate alternatives to LIBOR (beyond SOFR), including credit-sensitive alternative rates.


On March 15, 2022, the U.S. government passed the Consolidated Appropriations Act of 2022, which includes federal legislation regarding the LIBOR transition. The legislation provides a statutory fallback mechanism to replace LIBOR with a benchmark rate, selected by the Federal Reserve Board and based on SOFR, for certain contracts that reference LIBOR and contain no or insufficient fallback provisions. The law also provides a safe harbor for parties who select the statutory benchmark replacement rate.

While our Association currently holds legacy LIBOR indexed loans in our portfolio, we have adopted a transition plan to reduce LIBOR exposures and stop the inflow of new LIBOR volume. We have analyzed potential risks associated with the LIBOR transition, including financial, operational, legal, tax, reputational and compliance risks. Since we engage in transactions involving financial instruments that reference LIBOR, these developments did not have a material impact on the Association and our borrowers. Management has documented and worked through the LIBOR transition plan with our funding bank and service provider to address the phase out of LIBOR rates, including any updates to processes and loan servicing technology.

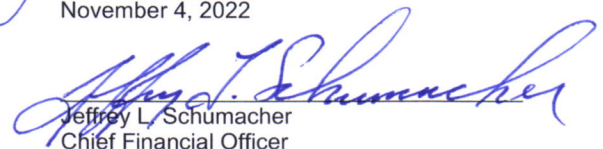
The undersigned certify they have reviewed this report, this report has been prepared in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of his or her knowledge and belief.



Lindsey D. Graves
Chair of the Audit Committee
November 4, 2022



Michael Grauberger
President & CEO
November 4, 2022



Jeffrey L. Schumacher
Chief Financial Officer
November 4, 2022

Consolidated Statement of Condition

(Dollars in Thousands)

	September 30 2022	December 31 2021
	UNAUDITED	AUDITED
ASSETS		
Loans	\$ 911,796	\$ 851,348
Less allowance for loan losses	1,319	1,870
Net loans	910,477	849,478
Cash	2,875	10,337
Accrued interest receivable	14,927	8,832
Investment in CoBank, ACB	22,974	23,581
Premises and equipment, net	674	697
Prepaid benefit expense	4,618	3,876
Other assets	6,721	5,346
Total assets	\$ 963,266	\$ 902,147
LIABILITIES		
Note payable to CoBank, ACB	\$ 724,171	\$ 680,946
Advance conditional payments	29,868	19,098
Accrued interest payable	1,449	761
Patronage distributions payable	-	5,500
Accrued benefits liability	1,097	1,055
Reserve for unfunded commitments	240	330
Other liabilities	2,993	4,110
Total liabilities	759,818	711,800
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	822	843
Unallocated retained earnings	203,030	189,978
Accumulated other comprehensive income/(loss)	(404)	(474)
Total shareholders' equity	203,448	190,347
Total liabilities and shareholders' equity	\$ 963,266	\$ 902,147

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

	For the three months ended September 30		For the nine months ended September 30	
UNAUDITED	2022	2021	2022	2021
INTEREST INCOME				
Loans	\$ 10,246	\$ 7,678	\$ 26,570	\$ 22,385
Total interest income	10,246	7,678	26,570	22,385
INTEREST EXPENSE				
Note payable to CoBank, ACB	3,878	2,159	8,825	6,356
Other	56	12	98	35
Total interest expense	3,934	2,171	8,923	6,391
Net interest income	6,312	5,507	17,647	15,994
(Credit loss reversal)/Provision for credit losses	(383)	(30)	(642)	22
Net interest income after credit loss reversal/provision for credit losses	6,695	5,537	18,289	15,972
NONINTEREST INCOME				
Financially related services income	221	192	321	294
Loan fees	134	100	356	317
Patronage distribution from Farm Credit institutions	856	770	2,560	2,260
Mineral income	246	167	594	371
Other noninterest income	23	28	122	118
Total noninterest income	1,480	1,257	3,953	3,360
NONINTEREST EXPENSE				
Salaries and employee benefits	1,642	1,631	4,615	4,249
Occupancy and equipment	105	84	284	273
Purchased services from AgVantis, Inc.	547	476	1,640	1,428
Farm Credit Insurance Fund premium	333	231	961	673
Supervisory and examination costs	81	62	242	216
Other noninterest expense	550	514	1,435	1,282
Total noninterest expense	3,258	2,998	9,177	8,121
Income before income taxes	4,917	3,796	13,065	11,211
Provision for income taxes	4	5	13	14
Net income	4,913	3,791	13,052	11,197
COMPREHENSIVE INCOME				
Amortization of retirement costs	24	10	70	32
Total comprehensive income	\$ 4,937	\$ 3,801	\$ 13,122	\$ 11,229

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Capital Stock	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2020	\$ 845	\$ 179,587	\$ (247)	\$ 180,185
Comprehensive income		11,197	32	11,229
Stock issued	62			62
Stock retired	(50)			(50)
Balance at September 30, 2021	\$ 857	\$ 190,784	\$ (215)	\$ 191,426
Balance at December 31, 2021	\$ 843	\$ 189,978	\$ (474)	\$ 190,347
Comprehensive income		13,052	70	13,122
Stock issued	28			28
Stock retired	(49)			(49)
Balance at September 30, 2022	\$ 822	\$ 203,030	\$ (404)	\$ 203,448

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

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Premier Farm Credit, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2021, are contained in the 2021 Annual Report to Shareholders. These unaudited third quarter 2022 financial statements should be read in conjunction with the 2021 Annual Report to Shareholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2021, as contained in the 2021 Annual Report to Shareholders.

In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for a fair statement of results for the interim periods, have been made. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2022. Descriptions of the significant accounting policies are included in the 2021 Annual Report to Shareholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

Recently Adopted or Issued Accounting Pronouncements

In March 2022, the Financial Accounting Standards Board (FASB) issued an update entitled "Financial Instruments – Credit Losses: Troubled Debt Restructurings and Vintage Disclosures." The guidance eliminates the accounting guidance for troubled debt restructurings (TDRs) by creditors while enhancing disclosure requirements for certain loan refinancings and restructurings when a borrower is experiencing financial difficulty. The creditor will have to apply the guidance to determine whether a modification results in a new loan or a continuation of an existing loan. In addition to the TDR guidance, the update requires public business entities to disclose current period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of the credit losses standard. These amendments will be effective for the Association at the time of adoption of the measurement of credit losses on financial instruments standard on January 1, 2023.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a single allowance framework for financial assets carried at amortized cost, which reflects management's estimate of expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to held-to-maturity securities, and depending on the available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers, including this Association, this guidance becomes effective for interim and annual reporting periods beginning after December 15, 2022. We continue to test and refine our current expected loss models.

The Association intends to estimate losses over a one year forecast period using a range of macroeconomic variables and then revert to the Association's historical loss experience over an extended period of time. The Association continues to evaluate the impact of adoption on its financial condition and results of operations.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows:

<i>(dollars in thousands)</i>	September 30, 2022	December 31, 2021
Real estate mortgage	\$ 447,057	\$ 448,241
Production and intermediate-term	183,731	176,487
Agribusiness	199,850	155,939
Rural infrastructure	73,508	63,044
Agricultural export finance	7,650	7,637
Total loans	\$ 911,796	\$ 851,348

The Association purchases and sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at September 30, 2022:

<i>(dollars in thousands)</i>	Other Farm Credit Institutions	
	Purchased	Sold
Real estate mortgage	\$ 47,903	\$ 30,774
Production and intermediate-term	53,387	984
Agribusiness	195,562	-
Rural infrastructure	73,508	-
Agricultural export finance	7,650	-
Total	\$ 378,010	\$ 31,758

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality.
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness.
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan.
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable.
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	September 30, 2022	December 31, 2021
Real estate mortgage		
Acceptable	96.73%	95.57%
OAEM	2.61%	2.52%
Substandard	0.66%	1.91%
Total	100.00%	100.00%
Production and intermediate-term		
Acceptable	95.87%	90.76%
OAEM	2.24%	2.62%
Substandard	1.89%	6.62%
Total	100.00%	100.00%
Agribusiness		
Acceptable	96.45%	98.45%
OAEM	0.90%	1.15%
Substandard	2.65%	0.40%
Total	100.00%	100.00%
Rural infrastructure		
Acceptable	100.00%	100.00%
Total	100.00%	100.00%
Agricultural export finance		
Acceptable	100.00%	100.00%
Total	100.00%	100.00%
Total Loans		
Acceptable	96.78%	95.46%
OAEM	1.94%	2.08%
Substandard	1.28%	2.46%
Total	100.00%	100.00%

High risk assets consist of impaired loans and other property owned. These nonperforming assets (including related accrued interest) are as follows:

<i>(dollars in thousands)</i>	September 30, 2022	December 31, 2021
Nonaccrual loans		
Agribusiness	\$ 2,911	\$ 144
Total nonaccrual loans	\$ 2,911	\$ 144
Total high risk assets	\$ 2,911	\$ 144

The Association had no accruing restructured loans, no accruing loans 90 days past due and no other property owned for the periods presented.

Additional impaired loan information is as follows:

	September 30, 2022			December 31, 2021		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
<i>(dollars in thousands)</i>						
Impaired loans with a related allowance for loan losses:						
Agribusiness	\$ 2,911	\$ 2,911	\$ 592	\$ -	\$ -	\$ -
Total	\$ 2,911	\$ 2,911	\$ 592	\$ -	\$ -	\$ -
Impaired loans with no related allowance for loan losses:						
Agribusiness	\$ -	\$ -		\$ 144	\$ 208	
Total	\$ -	\$ -		\$ 144	\$ 208	
Total impaired loans:						
Agribusiness	\$ 2,911	\$ 2,911	\$ 592	\$ 144	\$ 208	\$ -
Total	\$ 2,911	\$ 2,911	\$ 592	\$ 144	\$ 208	\$ -

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

	For the Three Months Ended September 30, 2022		For the Three Months Ended September 30, 2021	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
<i>(dollars in thousands)</i>				
Impaired loans with a related allowance for loan losses:				
Agribusiness	\$ 695	\$ -	\$ -	\$ -
Total	\$ 695	\$ -	\$ -	\$ -
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	\$ -	\$ -	\$ 30	\$ 17
Agribusiness	949	24	174	-
Total	\$ 949	\$ 24	\$ 204	\$ 17
Total impaired loans:				
Real estate mortgage	\$ -	\$ -	\$ 30	\$ 17
Agribusiness	1,644	24	174	-
Total	\$ 1,644	\$ 24	\$ 204	\$ 17

	For the Nine Months Ended September 30, 2022		For the Nine Months Ended September 30, 2021	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
<i>(dollars in thousands)</i>				
Impaired loans with a related allowance for loan losses:				
Agribusiness	\$ 235	\$ -	\$ -	\$ -
Total	\$ 235	\$ -	\$ -	\$ -
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	\$ -	\$ -	\$ 53	\$ 17
Production and intermediate-term	-	-	2	\$ -
Agribusiness	415	24	191	-
Total	\$ 415	\$ 24	\$ 246	\$ 17
Total impaired loans:				
Real estate mortgage	\$ -	\$ -	\$ 53	\$ 17
Production and intermediate-term	-	-	2	-
Agribusiness	650	24	191	-
Total	\$ 650	\$ 24	\$ 246	\$ 17

The following tables provide an age analysis of past due loans (including accrued interest):

	September 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	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
<i>(dollars in thousands)</i>						
Real estate mortgage	\$ -	\$ -	\$ -	\$ 457,347	\$ 457,347	\$ -
Production and intermediate-term	-	-	-	187,434	187,434	-
Agribusiness	-	-	-	200,603	200,603	-
Rural infrastructure	-	-	-	73,652	73,652	-
Agricultural export finance	-	-	-	7,687	7,687	-
Total	\$ -	\$ -	\$ -	\$ 926,723	\$ 926,723	\$ -

	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	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
<i>(dollars in thousands)</i>						
Real estate mortgage	\$ 44	\$ -	\$ 44	\$ 454,671	\$ 454,715	\$ -
Production and intermediate-term	-	-	-	178,485	178,485	-
Agribusiness	2,003	-	2,003	154,234	156,237	-
Rural infrastructure	-	-	-	63,093	63,093	-
Agricultural export finance	-	-	-	7,651	7,651	-
Total	\$ 2,047	\$ -	\$ 2,047	\$ 858,134	\$ 860,181	\$ -

A summary of changes in the allowance for loan losses is as follows:

<i>(dollars in thousands)</i>	Balance at June 30, 2022	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2022
Real estate mortgage	\$ 194	\$ -	\$ -	\$ (106)	\$ 88
Production and intermediate-term	316	1	1	(86)	230
Agribusiness	897	-	-	40	937
Rural infrastructure	253	-	-	(191)	62
Agricultural export finance	26	-	-	(24)	2
Total	\$ 1,686	\$ 1	\$ 1	\$ (367)	\$ 1,319

<i>(dollars in thousands)</i>	Balance at December 31, 2021	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2022
Real estate mortgage	\$ 246	\$ -	\$ -	\$ (158)	\$ 88
Production and intermediate-term	687	1	2	(458)	230
Agribusiness	670	-	-	267	937
Rural infrastructure	243	-	-	(181)	62
Agricultural export finance	24	-	-	(22)	2
Total	\$ 1,870	\$ 1	\$ 2	\$ (552)	\$ 1,319

<i>(dollars in thousands)</i>	Balance at June 30, 2021	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2021
Real estate mortgage	\$ 299	\$ -	\$ -	\$ (14)	\$ 285
Production and intermediate-term	676	-	-	34	710
Agribusiness	838	-	-	11	849
Rural infrastructure	272	-	-	15	287
Agricultural export finance	53	-	-	(1)	52
Total	\$ 2,138	\$ -	\$ -	\$ 45	\$ 2,183

<i>(dollars in thousands)</i>	Balance at December 31, 2020	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2021
Real estate mortgage	\$ 342	\$ -	\$ -	\$ (57)	\$ 285
Production and intermediate-term	636	-	1	73	710
Agribusiness	836	-	-	13	849
Rural infrastructure	302	-	-	(15)	287
Agricultural export finance	39	-	-	13	52
Total	\$ 2,155	\$ -	\$ 1	\$ 27	\$ 2,183

The Association maintains a separate reserve for unfunded commitments, which is included in Liabilities on the Association's Consolidated Statement of Condition. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the Consolidated Statement of Comprehensive Income, along with the provision for loan losses. A summary of changes in the reserve for unfunded commitments follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
<i>(dollars in thousands)</i>				
Balance at beginning of period	\$ 256	\$ 431	\$ 330	\$ 361
(Reversal of) reserve for unfunded commitment	(16)	(75)	(90)	(5)
Total	\$ 240	\$ 356	\$ 240	\$ 356

Additional information on the allowance for loan losses follows:

	Allowance for Loan Losses Ending Balance at September 30, 2022		Recorded Investments in Loans Outstanding Ending Balance at September 30, 2022	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
<i>(dollars in thousands)</i>				
Real estate mortgage	\$ -	\$ 88	\$ -	\$ 457,347
Production and intermediate-term	-	230	-	187,434
Agribusiness	592	345	2,911	197,692
Rural infrastructure	-	62	-	73,652
Agricultural export finance	-	2	-	7,687
Total	\$ 592	\$ 727	\$ 2,911	\$ 923,812

	Allowance for Loan Losses Ending Balance at December 31, 2021		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2021	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
<i>(dollars in thousands)</i>				
Real estate mortgage	\$ -	\$ 246	\$ -	\$ 454,715
Production and intermediate-term	-	687	-	178,485
Agribusiness	-	670	144	156,093
Rural infrastructure	-	243	-	63,093
Agricultural export finance	-	24	-	7,651
Total	\$ -	\$ 1,870	\$ 144	\$ 860,037

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 Association recorded no TDRs during the nine months ended September 30, 2022 or September 30, 2021 and have no TDRs in the portfolio for the periods presented.

NOTE 3 - CAPITAL

A summary of select capital ratios based on a three-month average and minimums set by the Farm Credit Administration follows:

	As of September 30, 2022	As of December 31, 2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	17.19%	17.46%	4.5%	2.5%	7.0%
Tier 1 capital ratio	17.19%	17.46%	6.0%	2.5%	8.5%
Total capital ratio	17.38%	17.72%	8.0%	2.5%	10.5%
Permanent capital ratio	17.22%	17.50%	7.0%	-	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	19.08%	19.35%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	18.99%	19.92%	1.5%	-	1.5%

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

The following tables present the activity in the accumulated other comprehensive income/loss, net of tax by component:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
<i>(dollars in thousands)</i>				
Pension and other benefit plans:				
Beginning balance	\$ (428)	\$ (225)	\$ (474)	\$ (247)
Amounts reclassified from accumulated other comprehensive loss	24	10	70	32
Net current period other comprehensive income	24	10	70	32
Ending balance	\$ (404)	\$ (215)	\$ (404)	\$ (215)

The following tables represent reclassifications out of accumulated other comprehensive loss:

(dollars in thousands)	Amount Reclassified from Accumulated Other Comprehensive Loss		Location of Gain/Loss Recognized in Statement of Income
	For the Three Months Ended September 30		
	2022	2021	
Pension and other benefit plans:			Salaries and employee benefits
Net actuarial loss	\$ 24	\$ 10	
Total reclassifications	\$ 24	\$ 10	

(dollars in thousands)	Amount Reclassified from Accumulated Other Comprehensive Loss		Location of Gain/Loss Recognized in Statement of Income
	For the Nine Months Ended September 30		
	2022	2021	
Pension and other benefit plans:			Salaries and employee benefits
Net actuarial loss	\$ 70	\$ 32	
Total reclassifications	\$ 70	\$ 32	

NOTE 4 - FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 of the 2021 Annual Report to Shareholders for a more complete description.

Assets measured at fair value on a recurring basis are summarized below:

(dollars in thousands)	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets held in nonqualified benefits trusts				
September 30, 2022	\$ 663	\$ -	\$ -	\$ 663
December 31, 2021	\$ 809	\$ -	\$ -	\$ 809

The Association had no liabilities measured at fair value on a recurring basis at September 30, 2022 or December 31, 2021.

The Association had no assets or liabilities measured at fair value on a non-recurring basis at September 30, 2022 or December 31, 2021.

Valuation Techniques

As more fully discussed in Note 2 of the 2021 Annual Report to Shareholders, accounting guidance establishes a fair value hierarchy, which requires an Association to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following presents a brief summary of the valuation techniques used by the Association for assets and liabilities, subject to fair value measurement.

Assets Held in Non-Qualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Loans Evaluated for Impairment

For impaired loans measured on a non-recurring basis, the fair value is based upon the underlying collateral since the loans are collateral dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases, it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 4, 2022, which is the date the financial statements were issued, and no material subsequent events were identified.