2022

Q3 SHAREHOLDER REPORT

YOUR PARTNER IN AGRICULTURE.

FARM CREDIT
OF SOUTHERN COLORADO

NOTICE TO STOCKHOLDERS

The shareholders' investment in Farm Credit of Southern Colorado, 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:

Farm Credit of Southern Colorado, ACA
5110 Edison Avenue, PO Box 75640
Colorado Springs, Colorado 80970-5640
Phone Number: 800-815-8559

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 Farm Credit of Southern Colorado, ACA (the Association) for the nine months ended September 30, 2022, with comparisons to prior periods. The following discussion and analysis should be read in conjunction 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.

Our lending territory spans over a very diverse region of southern and eastern Colorado through the southern front range and into the San Luis Valley. Drought continues to persist in most of our territory, however, seasonal storms have led to an improvement in the drought conditions. United States Department of Agriculture U.S. Drought Monitor classifies a majority of our territory from none to moderate drought (D1). The driest conditions exist in our northern counties along Interstate 70.

Our livestock producers received exceptionally high prices for calves marketed early in the summer. Values for fat cattle and feeder cattle continue to maintain profitable levels for producers. The corn crop is in good condition and nearing maturity. Seasonal storms helped to maintain average yield expectations for both dry and irrigated producers. Drought conditions in growing regions to the south and east of our territory have strengthened basis bids and driven a counter season rally in futures prices for corn. Winter wheat conditions are good and moisture in the third quarter allowed for ideal planting conditions. The majority of the wheat crop in our territory has germinated and crop conditions are good to excellent. Grain and hay markets have declined from their peaks in May 2022, however, they have rallied through the fall, offering strong pricing opportunities based on strong demand. Volatility in these two markets is a challenge, but strong basis bids are helping to offset the volatility risk. Potatoes are primarily grown in the San Luis Valley and crop conditions are good with harvest underway. Prices for potatoes are also historically strong for this region.

We continue to experience strong demand for real estate. Residential properties, recreational properties and agricultural properties in our territory are selling at strong prices with multiple offers. We have observed a shortage of agricultural properties available on the market and consistently see aggressive bids for each property offered. Despite strong demand for properties, we are experiencing some softening in the loan market for real estate due to the rising rate environment.

The economy within our territory remains strong, however, producers and consumers are struggling with the impacts of inflation and price volatility. Supply chain disruptions have caused shortages and pricing volatility on nearly all agricultural inputs including chemicals, fertilizer, fuel, parts and capital. In addition, tight supplies on new and used equipment have been observed along with a shortage of freight and trucking services. Although the potential for a recession within the overall economy is a concern, our territory is experiencing strong market prices for all commodities which helps producers offset their increased costs.

The U.S. Bureau of Labor Statistics reported in October 2022 that the Consumer Price Index for All Urban Consumers rose 8.2% for the twelve months ending September 2022. Within the Consumer Price Index, food is up 11.2% over the past twelve months and energy is up 19.8%. Unemployment rates in Colorado rose slightly to 3.4% in August 2022.

Overall, the U.S. economy remains healthy. However, severe supply chain disruptions, labor shortages, high 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 remained 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, 75 basis points in September 2022 and 75 basis points in November 2022. Anticipation of tighter monetary policy is contributing to a stronger dollar and changes in the shape of the yield curve.

Our Association remains committed to serving our mission and supporting our customers and communities through these challenging times. Credit quality remains strong and our Association continues to work with producers as needed to support distressed loan situations on a case-by-case basis.

LOAN PORTFOLIO

Loans outstanding at September 30, 2022, totaled $1.42 billion, an increase of $47.9 million, or 3.48%, from loans of $1.38 billion at December 31, 2021. The increase was primarily due to an increase in our purchased participations and core portfolios. The increase in our purchased participations portfolio is primarily due to increases in processing and marketing, cooperative and farm related loans, partially offset by a decrease in production and intermediate loans. The increase in our core portfolio is primarily driven by loans to new customers in real estate loans, partially offset by seasonal paydowns of production and intermediate loans.

RESULTS OF OPERATIONS

Net income for the nine months ended September 30, 2022, was $16.2 million, an increase of $1.7 million, or 11.84%, from the same period ended one year ago. The increase is primarily due to an increase in net interest income and noninterest income, partially offset by a provision for credit loss and an increase in noninterest expense.

For the nine months ended September 30, 2022, net interest income was $28.0 million, an increase of $4.6 million, or 19.70%, compared with the nine months ended September 30, 2021. Net interest income increased as a result of an increase in average accrual loans along with increased return on our loanable funds.

The provision for credit losses for the nine months ended September 30, 2022, was $637 thousand, an increase of $1.3 million, from the credit loss reversal of $671 thousand for the same period ended one year ago. The provision for credit losses increased as a result of credit quality deterioration in the purchased participation portfolio and establishment of specific reserves for one loan complex, partially offset by a decreased provision for unfunded commitments. The credit loss reversal in the first nine months of 2021 was primarily due to improved drought conditions, an improved economic environment related to the pandemic along with a decrease in specific reserves on two loans.

Noninterest income increased $1.2 million during the first nine months of 2022 compared with the first nine months of 2021 primarily due to an increase in patronage, mineral income and other noninterest income. Patronage distribution from Farm Credit institutions increased in the first nine months ended September 30, 2022, compared with the first nine months in 2021 primarily due to an increase in CoBank patronage due to an increase in our average net note payable to them. The increase in other noninterest income is primarily due to lease income recognized from the Colorado Springs administrative building and patronage from our investment in AgDirect.

We received mineral income of $892 thousand during the first nine months of 2022, which is distributed to us quarterly by CoBank. The 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 $2.8 million to $17.1 million, primarily due to salaries and employee benefits, Farm Credit insurance fund premium, purchased services from our service provider, AgVantis, and other noninterest expense. Salaries and employee benefits expense increased $1.5 million primarily due to an increase in staffing levels along with an increase in incentive expense, partially offset by lower pension expense. Farm Credit System insurance fund premium increased $514 thousand for the nine months ended September 30, 2022 compared with the same period in 2021 due to an increase in our average net note payable and an increase in the insurance premium accrual assessment rate on Systemwide adjusted insured debt from 16 basis points to 20 basis points, which was retroactively applied for 2022 during the second quarter. Purchased services from AgVantis increased $292 thousand due to an increase in the annual subscription fee. The increase in other noninterest expense of $517 thousand was driven by an increase in director related expenses, purchased services, public and member relation expenses along with travel expense.

CAPITAL RESOURCES

Our shareholders’ equity at September 30, 2022, was $293.4 million, an increase from $277.1 million at December 31, 2021. This increase is due to net income and net stock issuances.

OTHER MATTERS

On March 5, 2021, the United Kingdom's Financial Conduct Authority (UKFCA), formally announced that all LIBOR tenors will either be discontinued or no longer be representative immediately after December 31, 2021. As a result, the UKFCA has closely worked with market participants and regulatory authorities around the world to ensure that alternatives to LIBOR are available and that existing contracts can be transitioned onto these alternatives to safeguard financial stability and market integrity.

On December 8, 2021, the Farm Credit Administration (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.

At September 30, 2022, our Association did not hold any legacy LIBOR indexed loans in our Core portfolio and the transition from LIBOR indexed loans did not have a material impact on our Association. Our Association currently holds legacy LIBOR indexed loans in participations we have purchased. 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. 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.

//signed//
Whitney Hansen
Chairwoman of the Board
November 8, 2022

//signed//
Jeremy M Anderson
President & CEO
November 8, 2022

//signed//
Shawna R Neppl
CFO
November 8, 2022

Consolidated Statement of Condition

(Dollars in Thousands)

	September 30 2022	December 31 2021
	UNAUDITED	AUDITED
ASSETS		
Loans	**$ 1,423,711**	$ 1,375,787
Less allowance for loan losses	**3,758**	3,100
Net loans	**1,419,953**	1,372,687
Cash	**942**	3,507
Accrued interest receivable	**23,957**	16,904
Investment in CoBank, ACB	**34,832**	35,248
Investment in AgDirect	**1,562**	1,621
Premises and equipment, net	**12,065**	12,398
Prepaid benefit expense	**7,212**	5,821
Other assets	**15,129**	7,309
Total assets	**$ 1,515,652**	$ 1,455,495
LIABILITIES		
Note payable to CoBank, ACB	**$ 1,189,849**	$ 1,150,045
Advance conditional payments	**24,059**	11,902
Accrued interest payable	**2,114**	1,251
Patronage distributions payable	**-**	8,500
Accrued benefits liability	**142**	146
Reserve for unfunded commitments	**547**	568
Other liabilities	**5,530**	5,948
Total liabilities	**1,222,241**	1,178,360
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Preferred stock	**776**	776
Capital stock	**1,823**	1,777
Unallocated retained earnings	**290,812**	274,582
Total shareholders' equity	**293,411**	277,135
Total liabilities and shareholders' equity	**$ 1,515,652**	$ 1,455,495

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	**$ 16,625**	$ 12,436	**$ 44,314**	$ 35,617
Total interest income	**16,625**	12,436	**44,314**	35,617
INTEREST EXPENSE				
Note payable to CoBank, ACB	**6,803**	4,265	**16,294**	12,253
Other	**48**	2	**63**	8
Total interest expense	**6,851**	4,267	**16,357**	12,261
Net interest income	**9,774**	8,169	**27,957**	23,356
Provision for credit losses/(Credit loss reversal)	**882**	(259)	**637**	(671)
Net interest income after provision for credit losses/ credit loss reversal	**8,892**	8,428	**27,320**	24,027
NONINTEREST INCOME				
Financially related services income	**25**	41	**89**	105
Loan fees	**157**	120	**372**	336
Patronage distribution from Farm Credit institutions	**1,419**	1,262	**4,231**	3,576
Mineral income	**370**	250	**892**	556
Other noninterest income	**113**	87	**402**	206
Total noninterest income	**2,084**	1,760	**5,986**	4,779
NONINTEREST EXPENSE				
Salaries and employee benefits	**3,176**	2,610	**9,099**	7,624
Occupancy and equipment	**271**	298	**890**	954
Purchased services from AgVantis, Inc.	**730**	632	**2,189**	1,897
Farm Credit Insurance Fund premium	**557**	406	**1,644**	1,130
Supervisory and examination costs	**119**	108	**336**	295
Other noninterest expense	**1,091**	851	**2,900**	2,383
Total noninterest expense	**5,944**	4,905	**17,058**	14,283
Income before income taxes	**5,032**	5,283	**16,248**	14,523
Provision for income taxes	**5**	4	**15**	8
Net income/Comprehensive income	**$ 5,027**	$ 5,279	**$ 16,233**	$ 14,515

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Preferred Stock	Capital Stock	Unallocated Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2020	$ 953	$ 1,635	$ 263,068	$ 265,656
Comprehensive income			14,515	14,515
Stock issued	-	261		261
Stock retired	(177)	(131)		(308)
Balance at September 30, 2021	$ 776	$ 1,765	$ 277,583	$ 280,124
Balance at December 31, 2021	$ 776	$ 1,777	$ 274,582	$ 277,135
Comprehensive income			16,233	16,233
Stock issued	-	179		179
Stock retired	(1)	(133)		(134)
Preferred stock dividends	1		(3)	(2)
Balance at September 30, 2022	**$ 776**	**$ 1,823**	**$ 290,812**	**$ 293,411**

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 Farm Credit of Southern Colorado, 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 situation, 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 12 month 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.

(dollars in thousands)	**September 30, 2022**	December 31, 2021
Real estate mortgage	**$ 928,082**	$ 884,391
Production and intermediate-term	**201,897**	240,148
Agribusiness	**213,837**	171,148
Rural infrastructure	**70,605**	70,827
Agricultural export finance	**8,530**	8,512
Rural residential real estate	**21**	23
Mission-related	**739**	738
Total loans	**$ 1,423,711**	$ 1,375,787

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.

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
(dollars in thousands)	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 40,300	$ 63,935	$ 677	$ 6,761	$ 40,977	$ 70,696
Production and intermediate-term	36,825	-	-	-	36,825	-
Agribusiness	207,918	-	-	-	207,918	-
Rural infrastructure	70,605	-	-	-	70,605	-
Agricultural export finance	8,530	-	-	-	8,530	-
Total	$ 364,178	$ 63,935	$ 677	$ 6,761	$ 364,855	$ 70,696

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	**95.40%**	94.23%
OAEM	**2.41%**	2.97%
Substandard	**2.14%**	2.74%
Doubtful	**0.05%**	0.06%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**96.62%**	95.64%
OAEM	**1.63%**	1.06%
Substandard	**1.75%**	3.30%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**96.80%**	97.98%
OAEM	**1.12%**	1.45%
Substandard	**2.08%**	0.57%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**95.07%**	97.34%
OAEM	**2.27%**	2.66%
Substandard	**2.66%**	–
Total	**100.00%**	100.00%
Agricultural export finance		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Rural residential real estate		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Mission-related		
Substandard	**100.00%**	100.00%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**95.75%**	95.08%
OAEM	**2.09%**	2.42%
Substandard	**2.13%**	2.46%
Doubtful	**0.03%**	0.04%
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:

(dollars in thousands)	**September 30, 2022**	December 31, 2021
Nonaccrual loans		
Real estate mortgage	**$ 3,279**	$ 5,982
Production and intermediate-term	**940**	-
Agribusiness	**2,538**	-
Total nonaccrual loans	**$ 6,757**	$ 5,982
Accruing restructured loans		
Real estate mortgage	**$ 394**	$ 392
Production and intermediate-term	**-**	20
Total accruing restructured loans	**$ 394**	$ 412
Total impaired loans	**$ 7,151**	$ 6,394

The Association had 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		
(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with a related allowance for credit losses:						
Agribusiness	**$ 2,538**	**$ 2,543**	**$ 509**	$ -	$ -	$ -
Total	**$ 2,538**	**$ 2,543**	**$ 509**	$ -	$ -	$ -
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 3,673**	**$ 4,864**		$ 6,374	$ 8,640	
Production and intermediate-term	**940**	**932**		20	8	
Agribusiness	**-**	**110**		-	110	
Total	**$ 4,613**	**$ 5,906**		$ 6,394	$ 8,758	
Total impaired loans:						
Real estate mortgage	**$ 3,673**	**$ 4,864**	**$ -**	$ 6,374	$ 8,640	$ -
Production and intermediate-term	**940**	**932**	**-**	20	8	-
Agribusiness	**2,538**	**2,653**	**509**	-	110	-
Total	**$ 7,151**	**$ 8,449**	**$ 509**	$ 6,394	$ 8,758	$ -

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	
(dollars in thousands)	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Agribusiness	**$ 28**	**$ -**	$ -	$ -
Mission-related	**-**	**-**	739	-
Total	**$ 28**	**$ -**	$ 739	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 5,280**	**$ 17**	$ 6,855	$ 15
Production and intermediate-term	**347**	**1**	654	8
Agribusiness	**1,003**	**-**	-	-
Mission-related	**-**	**-**	8	-
Total	**$ 6,630**	**$ 18**	$ 7,517	$ 23
Total impaired loans:				
Real estate mortgage	**$ 5,280**	**$ 17**	$ 6,855	$ 15
Production and intermediate-term	**347**	**1**	654	8
Agribusiness	**1,031**	**-**	-	-
Mission-related	**-**	**-**	747	-
Total	**$ 6,658**	**$ 18**	$ 8,256	$ 23

(dollars in thousands)	**For the Nine Months Ended September 30, 2022** Average Impaired Loans	**For the Nine Months Ended September 30, 2022** Interest Income Recognized	For the Nine Months Ended September 30, 2021 Average Impaired Loans	For the Nine Months Ended September 30, 2021 Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	**$ -**	**$ -**	$ 366	$ -
Agribusiness	**9**	**-**	-	-
Mission-related	**-**	**-**	778	-
Total	**$ 9**	**$ -**	$ 1,144	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 6,026**	**$ 28**	$ 6,568	$ 24
Production and intermediate-term	**167**	**2**	330	12
Agribusiness	**338**	**-**	-	-
Mission-related	**-**	**-**	3	-
Total	**$ 6,531**	**$ 30**	$ 6,901	$ 36
Total impaired loans:				
Real estate mortgage	**$ 6,026**	**$ 28**	$ 6,934	$ 24
Production and intermediate-term	**167**	**2**	330	12
Agribusiness	**347**	**-**	-	-
Mission-related	**-**	**-**	781	-
Total	**$ 6,540**	**$ 30**	$ 8,045	$ 36

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

	September 30, 2022					
(dollars in thousands)	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 Outstanding	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 2,310	$ 62	$ 2,372	$ 943,967	$ 946,339	$ -
Production and intermediate-term	-	291	291	206,216	206,507	-
Agribusiness	-	-	-	214,655	214,655	-
Rural infrastructure	-	-	-	70,846	70,846	-
Agricultural export finance	-	-	-	8,559	8,559	-
Rural residential real estate	-	-	-	22	22	-
Mission-related	-	-	-	740	740	-
Total	$ 2,310	$ 353	$ 2,663	$1,445,005	$1,447,668	$ -

(dollars in thousands)	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 Outstanding	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 786	$ -	$ 786	$ 896,023	$ 896,809	$ -
Production and intermediate-term	2,148	-	2,148	241,897	244,045	-
Agribusiness	-	-	-	171,638	171,638	-
Rural infrastructure	-	-	-	70,911	70,911	-
Agricultural export finance	-	-	-	8,525	8,525	-
Rural residential real estate	-	-	-	23	23	-
Mission-related	-	-	-	740	740	-
Total	$ 2,934	$ -	$ 2,934	$1,389,757	$1,392,691	$ -

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

(dollars in thousands)	Balance at June 30, 2022	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2022
Real estate mortgage	$ 825	$ -	$ -	$ 556	$ 1,381
Production and intermediate-term	650	-	-	(24)	626
Agribusiness	997	-	-	162	1,159
Rural infrastructure	249	-	-	230	479
Agricultural export finance	8	-	-	(2)	6
Mission-related	107	-	-	-	107
Total	$ 2,836	$ -	$ -	$ 922	$ 3,758

(dollars in thousands)	Balance at December 31, 2021	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2022
Real estate mortgage	$ 943	$ -	$ -	$ 438	$ 1,381
Production and intermediate-term	997	-	-	(371)	626
Agribusiness	800	-	-	359	1,159
Rural infrastructure	240	-	-	239	479
Agricultural export finance	5	-	-	1	6
Mission-related	115	-	-	(8)	107
Total	$ 3,100	$ -	$ -	$ 658	$ 3,758

(dollars in thousands)	Balance at June 30, 2021	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2021
Real estate mortgage	$ 860	$ -	$ -	$ 56	$ 916
Production and intermediate-term	838	-	-	77	915
Agribusiness	822	-	-	16	838
Rural infrastructure	197	-	-	50	247
Agricultural export finance	10	-	-	-	10
Mission-related	600	-	-	(483)	117
Total	$ 3,327	$ -	$ -	$ (284)	$ 3,043

(dollars in thousands)	Balance at December 31, 2020	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2021
Real estate mortgage	$ 1,074	$ -	$ -	$ (158)	$ 916
Production and intermediate-term	857	-	-	58	915
Agribusiness	1,021	-	-	(183)	838
Rural infrastructure	265	-	-	(18)	247
Agricultural export finance	9	-	-	1	10
Mission-related	600	-	-	(483)	117
Total	$ 3,826	$ -	$ -	$ (783)	$ 3,043

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	
(dollars in thousands)	**2022**	2021	**2022**	2021
Balance at beginning of period	**$ 587**	$ 563	**$ 568**	$ 476
(Reversal of)/Provision for reserves for unfunded commitments	**(40)**	25	**(21)**	112
Total	**$ 547**	$ 588	**$ 547**	$ 588

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	
(dollars in thousands)	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 1,381	$ 3,673	$ 942,666
Production and intermediate-term	-	626	940	205,567
Agribusiness	509	650	2,538	212,117
Rural infrastructure	-	479	-	70,846
Agricultural export finance	-	6	-	8,559
Rural residential real estate	-	-	-	22
Mission-related	-	107	-	740
Total	$ 509	$ 3,249	$ 7,151	$ 1,440,517

	Allowance for Loan Losses Ending Balance at December 31, 2021		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2021	
(dollars in thousands)	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 943	$ 6,374	$ 890,435
Production and intermediate-term	-	997	20	244,025
Agribusiness	-	800	-	171,638
Rural infrastructure	-	240	-	70,911
Agricultural export finance	-	5	-	8,525
Rural residential real estate	-	-	-	23
Mission-related	-	115	-	740
Total	$ -	$ 3,100	$ 6,394	$ 1,386,297

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 new TDR's during the nine months ended September 30, 2022 or September 30, 2021.

The Association had no TDRs within the previous 12 months and for which there were subsequent payment defaults during the first nine months of 2022 and 2021. Additional commitments to lend to borrowers whose loans have been modified in troubled debt restructurings were $0 at September 30, 2022 and $1.2 million at December 31, 2021. 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.

	Loans modified as TDRs		TDRs in Nonaccrual Status*	
(dollars in thousands)	**September 30, 2022**	December 31, 2021	**September 30, 2022**	December 31, 2021
Real estate mortgage	**$ 394**	$ 392	**$ -**	$ -
Production and intermediate-term	**-**	20	**-**	-
Total	**$ 394**	$ 412	**$ -**	$ -

* Represents the portion of loans modified as TDRs (first column) that are in nonaccrual status.

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	**16.55%**	16.57%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**16.55%**	16.57%	6.0%	2.5%	8.5%
Total capital ratio	**16.78%**	16.82%	8.0%	2.5%	10.5%
Permanent capital ratio	**16.64%**	16.66%	7.0%	–	7.0%
Non-Risk Adjusted:					
Tier 1 leverage ratio	**17.31%**	17.36%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**17.19%**	18.06%	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.

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:

	Fair Value Measurement Using			**Total Fair Value**
(dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	
Assets held in nonqualified benefits trusts				
September 30, 2022	**$ 116**	**$ –**	**$ –**	**$ 116**
December 31, 2021	$ 81	$ –	$ –	$ 81

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

Assets measured at fair value on a non-recurring basis for each of the fair value hierarchy values are summarized below:

	Fair Value Measurement Using			Total Fair
(dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	**Value**
Loans				
September 30, 2022	**$ –**	**$ –**	**$ 2,034**	**$ 2,034**
December 31, 2021	$ –	$ –	$ -	$ -

With regard to impaired loans, 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 take into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

The Association had no 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 entity 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 8, 2022 which is the date the financial statements were issued, and no material subsequent events were identified.