GreenStone Farm Credit Services, ACA

Quarterly Report
March 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

GreenStone Farm Credit Services, ACA
3515 West Road
East Lansing, MI 48823
(800) 968-0061
www.greenstonefcs.com
Travis.Jones@greenstonefcs.com

AgriBank, FCB
30 East 7th Street, Suite 1600
St. Paul, MN 55101
(651) 282-8800
www.AgriBank.com
FinancialReporting@AgriBank.com

FORWARD-LOOKING INFORMATION

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

AGRICULTURAL AND ECONOMIC CONDITIONS

The Russian invasion of Ukraine delivered global markets a shock of uncertainty and volatility in the first quarter of 2022. Following its military action, Russia has been the target of coordinated sanctions from countries around the world. The combination of Russia's status as a top oil and natural gas producer, the Russia-Ukraine region's standing as a major exporter of agricultural commodities, and retaliatory international sanctions have resulted in considerable pressure on global commodity markets. Russia accounts for more than 10% of global oil and natural gas production, so the sharp contraction of its exports from global markets has a significant impact on the overall market's supply and demand dynamics. Global agricultural markets have not been spared from the volatility as grain prices have experienced significant increases since Russia invaded Ukraine. Wheat markets have experienced the greatest run-up as Russia is the world's largest wheat exporter and Ukraine is the fifth largest, with the two countries combining to account for around 26% of global wheat exports.

Corn futures are above $8.00 per bushel which is the highest price since 2012 on projections of stronger demand against lower expected production along with supply chain issues. Surging oil prices and news from the Biden administration about the increase ethanol usage this summer supported new buying. At the same time, dry conditions in Brazil, smaller-than-expected planting areas in the U.S., and delays in China's corn planting amid lockdowns are set to cause significant production losses. In addition, Ukraine is the fourth largest corn exporter and represents 15% of global exports. For soybeans, futures are above $17.00 per bushel, approaching the highest historic price for soybeans that came in September 2012. This run-up has been primarily due to strong demand and adverse weather in parts of Brazil and Argentina cutting their production estimates, which coupled with higher freight costs boosted higher demand for U.S. shipments. The Russia-Ukraine impact to global soybean markets was less significant, compared to corn, due to Russia and Ukraine representing just 2% of world soybean exports.

Prior to Russia's invasion of Ukraine, fertilizer prices were already at elevated levels due to supply chain bottlenecks and high input costs. Russia is the second largest potash producer, top exporter of nitrogen, and third largest phosphate exporter. Therefore any disruption to its ability to produce and ship these products results in higher fertilizer prices for agricultural producers around the globe. In early March, Russia's Ministry of Industry and Trade recommended suspending the export of fertilizers until normal transportation services in and out of Russia are resumed. Subsequently, the Bloomberg Green Markets North American Fertilizer Price index rose 10% on March 4, the day of the Russian Ministry's statement.

The United States Department of Agriculture (USDA) April Livestock, Dairy and Poultry Outlook reported their all-milk price forecast for 2022 at $25.80 per hundredweight (cwt.), $0.75 per cwt. higher than last month's forecast. The increase was due to relatively higher domestic and international product prices along with higher expected exports. The $25.80 per cwt. forecast for 2022 would be an increase of 38.0% over 2021, if realized. The all-milk price for the first quarter of 2022 was $24.85 per cwt. and the USDA projected an average of $26.75 per cwt. for the second quarter, $25.75 per cwt. for the third quarter, and $25.90 per cwt. for the fourth quarter.

The U.S. economy shrank 1.4% on an annualized basis in the first quarter of 2022, according to the "advance" estimate released by the U.S. Bureau of Economic Analysis to mark the first drop in gross domestic product (GDP) since the pandemic began. This compares to GDP growth at an annualized rate of 7.0% in the fourth quarter of 2021, and 5.7% for the full calendar year of 2021, which was the highest annual growth rate since 1984. The decrease in GDP in the first quarter of 2022 reflected decreases in private inventory investments, exports, and government spending. Imports, which are a subtraction in the calculation of GDP, increased. These decreases were partially offset by increases in personal consumption expenditures along with both residential and nonresidential fixed investment.

The U.S. Bureau of Labor Statistics (BLS) reported the Consumer Price Index (CPI) rose 8.5% for the 12-month period ending in March 2022, which was the largest 12-month increase since the period ending December 1981. The cost of energy has increased substantially over the past year with the BLS reporting the energy index rose 32.0%, as gasoline rose 48.0%, natural gas rose 21.6%, and electricity rose 11.1%. The cost of food has also seen high inflation as the BLS reported the food index increased 8.8%, with the major contributors being meats, which rose 14.8%, poultry rose 13.2%, fish rose 10.9%, eggs rose 11.2%, and milk rose 13.3% over the previous year. Another area of high inflation was new vehicles, which increased 12.5%, along with used cars and trucks that increased 35.3% over the previous year.

The BLS reported the unemployment rate declined 0.2% in March 2022 to 3.6%, which is nearly back to its pre-pandemic level of 3.5% in February 2020. Notable job gains continued in leisure and hospitality, professional and business services, retail trade, and manufacturing. The unemployment rate for Michigan was 4.4% in March 2022, down 0.7% while the unemployment rate for Wisconsin was 2.8%, down 1.0% from the previous year. Labor availability remains a major constraint and upward pressure on wages persist.

The Federal Reserve began its attempt to deal with the soaring level of inflation at its meeting in March 2022. The Fed increased the Fed Funds target interest rate 0.25% and is anticipated to continue with rate increases at future meetings in the coming year. The Fed has stated it will proceed cautiously with future hikes as it closely monitors inflation, strong demand, a tight labor market, and geopolitical risks from the Russia-Ukraine conflict. In addition to interest rate increases, the Fed will conclude its bond buying program with a final round of $16.5 billion in mortgage-backed securities purchased in March 2022. Beyond the conclusion of purchases, it is expected the Fed will finalize a plan to begin reducing the size of its $9 trillion asset portfolio, which consists of Treasury bills and mortgaged-back-securities. The combination of higher interest rates and the reduction of the Fed's balance sheet will result in a significantly less accommodative monetary policy for the U.S. economy in 2022. In the end, the Federal Reserve will be attempting the difficult task of slowing the pace of inflation without tipping the U.S. economy into a recession.

Higher interest rates have slowed down the housing market as total home sales fell 2.7% during March, which followed an 8.6% drop in February. The higher interest rates along with inflation are impacting affordability at a time when home prices have been going up due to the rise of remote work and increased household space needs. The median existing home price rose 15.0% on a yearly basis in March 2022. At the same time inventories were at historically low levels, which was just two months of supply, meaning it would take about that length of time to sell all of the market's available inventory at the current sales pace. An average supply of four to six months usually indicates a balanced housing market.

LOAN PORTFOLIO

Loan Portfolio

Owned loan volume totaled $11.5 billion at March 31, 2022, a $32.8 million increase from December 31, 2021.

Total owned and managed loan volume, including serviced volume on the real estate loans sold to AgriBank was $11.6 billion at March 31, 2022, a $28.3 million increase from December 31, 2021. Our combined mortgage portfolio increased $146.2 million, or 1.6% from December 31, 2021, while our short-term commercial loan portfolio decreased $117.9 million, or 4.8% from December 31, 2021. When compared to March 31, 2021, owned and managed loan volume is up 8.1%. This increase was driven by growth in all market segments and led by our capital markets and country living segments that have increased 24.6% and 10.4% since March 31, 2021, respectively. Our current volume reflects an asset growth rate year-over-year that is running above our 2022 Business Plan.

Portfolio Credit Quality

The credit quality of our loan portfolio improved slightly during the first three months of 2022. Acceptable loan credit quality, as measured under the Uniform Classification System, was 95.6%, which increased from 95.1% at December 31, 2021. Year-over-year, acceptable credit quality increased 3.6% from 92.0% at March 31, 2021. Portfolio assets criticized as being less than acceptable was comprised of 2.5% other assets especially mentioned (OAEM) and 1.9% adversely classified. OAEM decreased 0.3% and adversely classified decreased 0.2% from December 31, 2021.

Adversely classified loans are identified as having material credit weaknesses which, if left uncorrected, result in a greater than normal risk. Portfolio credit quality is considered when assessing the reasonableness of our allowance for loan losses. Weaker borrowers in our poultry and dairy portfolios were challenged financially during the first three months of 2022.

The resulting level of credit quality, when combined with our earnings and addition to capital surplus, resulted in an adverse assets to regulatory capital ratio of 11.7%, which decreased 1.7% from December 31, 2021.

In certain circumstances, the Federal Agricultural Mortgage Corporation and other government agency guarantee programs are used to reduce the risk of loss. At March 31, 2022, $413.3 million of our loans were substantially guaranteed under these programs. The guaranteed loan volume decreased from $424.4 million at December 31, 2021.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	**March 31, 2022**	December 31, 2021
Loans:		
Nonaccrual	**$18,601**	$48,269
Accruing restructured	**2,650**	2,720
Accruing loans 90 days or more past due	**--**	--
Total risk loans	**21,251**	50,989
Acquired property	**993**	1,750
Total risk assets	**$22,244**	$52,739
Total risk loans as a percentage of total loans	**0.2%**	0.4%
Nonaccrual loans as a percentage of total loans	**0.2%**	0.4%
Current nonaccrual loans as a percentage of total nonaccrual loans	**88.9%**	57.6%
Total delinquencies as a percentage of total loans	**0.1%**	0.3%

Note: Accruing loans include accrued interest receivable.

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

Nonaccrual loans decreased from $48.3 million at December 31, 2021, to $18.6 million at March 31, 2022. This decrease was primarily due to a large dairy that was sold during March of 2022. As of March 31, 2022, 23.4% of the nonaccrual loan portfolio was comprised of dairy loans and 20.1% was comprised of cash crop loans.

Allowance for Loan Losses

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

Allowance Coverage Ratios

As of:	**March 31, 2022**	December 31, 2021
Allowance as a percentage of:		
Loans	**0.4%**	0.5%
Nonaccrual loans	**266.0%**	114.1%
Total risk loans	**232.9%**	108.0%

The allowance for loan losses decreased $5.6 million from December 31, 2021, to $49.5 million at March 31, 2022. During the first quarter of 2022, a reversal of provision for loan losses of $9.3 million along with $3.7 million of net recoveries were recorded. Included in our allowance is additional industry reserves for our dairy portfolio, primarily due to low milk prices during the past several years. While the price has increased recently, it is unknown how long these higher prices will last. In addition, expenses have increased substantially, especially feed, fuel, energy, and fertilizer costs for these dairy customers. The additional industry reserves for the dairy portfolio decreased from $19.9 million at December 31, 2021, to $18.4 million at March 31, 2022. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at March 31, 2022.

Under certain circumstances, credit losses may be recorded to establish a reserve on unfunded loan commitments. The “Reversal of (provision for) credit losses” in the Consolidated Statements of Income for the three months ended March 31, 2022, included a reversal of credit losses on unfunded loan commitments of $3.3 million. The accrued credit losses are recorded in “other liabilities” in the Consolidated Statements of Condition. There were no accrued credit losses related to unfunded loan commitments at March 31, 2022.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the three months ended March 31	**2022**	2021
Net income	**$73,821**	$57,651
Return on average assets	**2.5%**	2.1%
Return on average members' equity	**14.0%**	11.7%

Changes presented in the profitability information chart relate directly to:

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

Changes in Significant Components of Net Income (in thousands) For the three months ended March 31	**2022**	2021	**Increase (decrease) in net income**
Net interest income	**$69,526**	$62,414	**$7,112**
Reversal of (provision for) credit losses	**12,617**	(8,306)	**20,923**
Patronage income	**13,421**	13,367	**54**
Financially related services income	**5,288**	4,303	**985**
Fee income	**4,511**	13,944	**(9,433)**
Other non-interest income	**401**	268	**133**
Non-interest expense	**(29,341)**	(26,971)	**(2,370)**
Provision for income taxes	**(2,602)**	(1,368)	**(1,234)**
Net income	**$73,821**	$57,651	**$16,170**

Net Interest Income

Changes in Net Interest Income (in thousands) For the three months ended March 31	**2022 vs 2021**
Changes in volume	**$4,963**
Changes in interest rates	**571**
Changes in nonaccrual income and other	**1,578**
Net change	**$7,112**

Reversal of (Provision for) Credit Losses

In the first three months of 2022, the reversal of credit losses of $12.6 million was primarily due to a large nonaccrual dairy relationship that was sold in March of 2022. The provision for credit losses of $8.3 million in the first quarter of 2021 was primarily due to downgrades of a large dairy relationship and a capital markets poultry relationship.

Non-Interest Income

The change in non-interest income was primarily due to fee income. The decrease in fee income was primarily due to less loan conversion fees along with no fees collected from the Small Business Administration for the Paycheck Protection Program loans in the first three months of 2022 compared to 2021.

FUNDING, LIQUIDITY, AND CAPITAL

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

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

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

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

Total members' equity increased $45.3 million from December 31, 2021, primarily due to net income for the period, which was partially offset by patronage distribution accruals.

The Farm Credit Administration (FCA) Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total regulatory capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 8 in our 2021 Annual Report for a more complete description of these ratios. Effective January 1, 2022, the FCA regulations slightly modified the calculation of the unallocated retained earnings and equivalents leverage ratio to include certain additional deductions. The modification did not have a material impact on this ratio.

Regulatory Capital Requirements and Ratios As of:	**March 31, 2022**	December 31, 2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**15.0%**	15.8%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**15.0%**	15.8%	6.0%	2.5%	8.5%
Total regulatory capital ratio	**15.5%**	16.4%	8.0%	2.5%	10.5%
Permanent capital ratio	**15.1%**	15.9%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**15.8%**	16.7%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**15.6%**	18.1%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as disclosed in Note 12 in our 2021 Annual Report.

CERTIFICATION

The undersigned have reviewed the March 31, 2022, Quarterly Report of GreenStone Farm Credit Services, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Edward L. Reed
Chair of the Board
GreenStone Farm Credit Services, ACA

David B. Armstrong
Chief Executive Officer
GreenStone Farm Credit Services, ACA

Travis D. Jones
Executive Vice President – Chief Financial Officer
GreenStone Farm Credit Services, ACA

May 9, 2022

CONSOLIDATED STATEMENTS OF CONDITION

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

As of:	**March 31, 2022**	December 31, 2021
ASSETS		
Loans	**$11,524,972**	$11,492,173
Allowance for loan losses	**49,483**	55,056
Net loans	**11,475,489**	11,437,117
Investment in AgriBank, FCB	**289,397**	284,770
Investment securities	**2,398**	2,992
Accrued interest receivable	**51,642**	60,120
Premises and equipment, net	**48,645**	48,083
Other assets	**90,109**	94,396
Total assets	**$11,957,680**	$11,927,478
LIABILITIES		
Note payable to AgriBank, FCB	**$9,695,234**	$9,619,904
Accrued interest payable	**32,095**	31,570
Patronage distribution payable	**28,757**	115,000
Deferred tax liabilities, net	**1,971**	182
Other liabilities	**59,668**	66,120
Total liabilities	**9,817,725**	9,832,776
Contingencies and commitments (Note 4)		
MEMBERS' EQUITY		
Protected members' equity	**1**	1
Capital stock and participation certificates	**25,590**	25,498
Unallocated surplus	**2,117,991**	2,072,939
Accumulated other comprehensive loss	**(3,627)**	(3,736)
Total members' equity	**2,139,955**	2,094,702
Total liabilities and members' equity	**$11,957,680**	$11,927,478

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Three Months Ended	
For the period ended March 31	**2022**	2021
Interest income	**$101,621**	$93,448
Interest expense	**32,095**	31,034
Net interest income	**69,526**	62,414
(Reversal of) provision for credit losses	**(12,617)**	8,306
Net interest income after (reversal of) provision for credit losses	**82,143**	54,108
Non-interest income		
Patronage income	**13,421**	13,367
Financially related services income	**5,288**	4,303
Fee income	**4,511**	13,944
Other non-interest income	**401**	268
Total non-interest income	**23,621**	31,882
Non-interest expense		
Salaries and employee benefits	**19,881**	18,588
Other operating expense	**9,460**	8,383
Total non-interest expense	**29,341**	26,971
Income before income taxes	**76,423**	59,019
Provision for income taxes	**2,602**	1,368
Net income	**$73,821**	$57,651
Other comprehensive income		
Employee benefit plans activity	**$109**	$83
Total other comprehensive income	**109**	83
Comprehensive income	**$73,930**	$57,734

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2020	$1	$24,553	$1,923,172	($3,182)	$1,944,544
Net income	--	--	57,651	--	57,651
Other comprehensive income	--	--	--	83	83
Unallocated surplus designated for patronage distributions	--	--	(26,207)	--	(26,207)
Capital stock and participation certificates issued	--	869	--	--	869
Capital stock and participation certificates retired	--	(594)	--	--	(594)
Balance at March 31, 2021	$1	$24,828	$1,954,616	($3,099)	$1,976,346
Balance at December 31, 2021	$1	$25,498	$2,072,939	($3,736)	$2,094,702
Net income	**--**	**--**	**73,821**	**--**	**73,821**
Other comprehensive income	**--**	**--**	**--**	**109**	**109**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(28,769)**	**--**	**(28,769)**
Capital stock and participation certificates issued	**--**	**651**	**--**	**--**	**651**
Capital stock and participation certificates retired	**--**	**(559)**	**--**	**--**	**(559)**
Balance at March 31, 2022	**$1**	**$25,590**	**$2,117,991**	**($3,627)**	**$2,139,955**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

Recently Issued or Adopted Accounting Pronouncements

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

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

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	**March 31, 2022**		December 31, 2021	
	Amount	**Percentage**	Amount	Percentage
Real estate mortgage	**$6,649,009**	**57.7%**	$6,662,615	57.9%
Production and intermediate-term	**1,902,150**	**16.5**	2,053,528	17.9
Agribusiness	**2,257,858**	**19.6**	2,078,287	18.1
Other	**715,955**	**6.2**	697,743	6.1
Total	**$11,524,972**	**100.0%**	$11,492,173	100.0%

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

Delinquency

Aging Analysis of Loans

(in thousands) **As of March 31, 2022**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total
Real estate mortgage	**$5,660**	**$1,475**	**$7,135**	**$6,676,036**	**$6,683,171**
Production and intermediate-term	**3,184**	**150**	**3,334**	**1,910,243**	**1,913,577**
Agribusiness	**--**	**--**	**--**	**2,262,894**	**2,262,894**
Other	**849**	**5**	**854**	**716,110**	**716,964**
Total	**$9,693**	**$1,630**	**$11,323**	**$11,565,283**	**$11,576,606**

As of December 31, 2021	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total
Real estate mortgage	$26,029	$1,288	$27,317	$6,676,975	$6,704,292
Production and intermediate-term	10,170	1,174	11,344	2,055,196	2,066,540
Agribusiness	131	--	131	2,082,629	2,082,760
Other	1,212	317	1,529	697,163	698,692
Total	$37,542	$2,779	$40,321	$11,511,963	$11,552,284

Note: Accruing loans include accrued interest receivable.

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

Risk Loans

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

Risk Loan Information

(in thousands) As of:	**March 31, 2022**	December 31, 2021
Volume with specific allowance	**$4,428**	$35,972
Volume without specific allowance	**16,823**	15,017
Total risk loans	**$21,251**	$50,989
Total specific allowance	**$1,516**	$5,423
For the three months ended March 31	**2022**	2021
Income on accrual risk loans	**$33**	$31
Income on nonaccrual loans	**1,843**	394
Total income on risk loans	**$1,876**	$425
Average risk loans	**$48,914**	$45,425

Note: Accruing loans include accrued interest receivable.

We had $3.2 million of commitments to lend additional money to borrowers whose loans were classified as risk loans at March 31, 2022.

Troubled Debt Restructurings (TDRs)

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

There were no TDRs that occurred during the three months ended March 31, 2022, or 2021. In addition, there were no TDRs that defaulted during the three months ended March 31, 2022, or 2021, in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:	**March 31, 2022**	December 31, 2021
Accrual status:		
Real estate mortgage	**$2,047**	$2,082
Production and intermediate-term	**288**	318
Other	**315**	320
Total TDRs in accrual status	**$2,650**	$2,720
Nonaccrual status:		
Real estate mortgage	**$759**	$773
Production and intermediate-term	**88**	307
Other	**6**	8
Total TDRs in nonaccrual status	**$853**	$1,088
Total TDRs:		
Real estate mortgage	**$2,806**	$2,855
Production and intermediate-term	**376**	625
Other	**321**	328
Total TDRs	**$3,503**	$3,808

There were no commitments to lend to borrowers whose loans have been modified in a TDR at March 31, 2022.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) Three months ended March 31	**2022**	2021
Balance at beginning of period	**$55,056**	$75,574
(Reversal of) provision for loan losses	**(9,302)**	8,980
Loan recoveries	**3,979**	219
Loan charge-offs	**(250)**	(319)
Balance at end of period	**$49,483**	$84,454

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

Credit Loss Information on Unfunded Commitments

(in thousands) For the three months ended March 31	**2022**	2021
Reversal of credit losses	**($3,315)**	($674)
As of:	**March 31, 2022**	December 31, 2021
Accrued credit losses	**$ --**	$3,315

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $2.4 million at March 31, 2022, and $3.0 million at December 31, 2021. Our investment securities consisted of securities backed by pools of loans guaranteed by the Small Business Administration.

The investment securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. No investments within the portfolio were impaired at March 31, 2022, or December 31, 2021. Premiums paid to purchase the investments are not guaranteed and are amortized as a reduction of interest income.

Additional Investment Securities Information

(dollars in thousands) As of:	**March 31, 2022**	December 31, 2021
Amortized cost	**$2,398**	$2,992
Unrealized gains	**--**	3
Unrealized losses	**(36)**	(35)
Fair value	**$2,362**	$2,960
Weighted average yield	**0.1%**	1.2%

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $3 thousand and $22 thousand for the three months ended March 31, 2022, and 2021, respectively.

NOTE 4: CONTINGENCIES AND COMMITMENTS

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

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

Refer to Note 12 in our 2021 Annual Report for additional detail regarding contingencies and commitments.

NOTE 5: FAIR VALUE MEASUREMENTS

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

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

Non-Recurring Basis

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

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of March 31, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	**$ --**	**$ --**	**$3,058**	**$3,058**
Acquired property	**--**	**--**	**3,694**	**3,694**

As of December 31, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$32,076	$32,076
Acquired property	--	--	4,585	4,585

Valuation Techniques

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

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

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 9, 2022, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.