AgCountry 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 AgCountry Farm Credit Services, ACA and its subsidiaries, AgCountry Farm Credit Services, FLCA and AgCountry 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:

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MERGER ACTIVITY

The merger between AgCountry Farm Credit Services, ACA (AgCountry) and Farm Credit Services of North Dakota, ACA (FCS ND) was effective January 1, 2022. The merged entity, AgCountry Farm Credit Services, ACA, is headquartered in Fargo, ND. The merged entity now serves over 25,000 customers in 82 counties in Minnesota, North Dakota, and Wisconsin, and has assets over $10.0 billion.

The effects of the merger with FCS ND are included in our financial position, results of operations, equity, and related metrics beginning January 1, 2022. Prior year results have not been restated to reflect the impact of the merger. Upon the closing of the merger, assets increased by $1.5 billion (including loans of $1.4 billion), liabilities increased by $1.1 billion, and members' equity increased by $359.6 million. These amounts include adjustments to fair value, as required by accounting standards for business combinations.

The capital stock and participation certificates acquired from FCS ND are currently included within members' equity on the Consolidated Statements of Condition. Subsequent to March 31, 2022, stocked owned by these borrowers will be transitioned to accounts receivable stock and accounted for consistent with our current policy. A contra receivable for the transferred stock will be established and included in the line item titled "Capital stock and participation certificates receivable". This change has no impact on the capital stock or participation certificates owned by the borrowers, and borrowers retain all rights afforded to them by the Farm Credit Act. In addition, while this change will reduce our equity, we do not anticipate this change to have a material impact on our capital ratios.

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 Nation's economic outlook continued to improve during the first quarter of 2022 despite uncertainty created by the Russia-Ukraine conflict and escalating inflation. United States (U.S.) Gross Domestic Product (GDP) increased at an annual rate of 6.9% in the fourth quarter of 2021, ending the year at a 5.7% increase overall. Looking forward to 2022 and 2023, Moody's Analytics is predicting GDP growth of 3.5% and 3.1%, respectively. The unemployment rate continues to decline, down to 3.6% in March 2022, and new unemployment claims in the first week of April fell to the lowest level in 50 years.

The Consumer Price Index (CPI) for all items rose 7.9% for the 12 months ending February 2022. Increases for gasoline, shelter, and food were the largest contributors to the all items index increase, with the gasoline index accounting for nearly one-third of the increase in February 2022. Moody's March 2022 baseline forecasts CPI to decrease throughout the year to 5.8%. The Federal Open Market Committee (FOMC) no longer considers inflation to be transitory and increased the federal funds rate by 0.25% at the March 2022 meeting. Members of the FOMC have suggested the May 2022 increase will be 0.50% with up to seven increases in 2022 raising the median federal funds rate to 1.9% by year end. In March 2022, the Federal Reserve discontinued buying treasury bonds and mortgage-backed securities and expects to start shrinking its balance sheet by May 2022.

AgCountry monitors global, national, and local events, and continues to evaluate the impact of those events on our customers and our cooperative as we fulfill our mission to serve agriculture and rural America. As interest rates increase and fiscal policy measures slow, AgCountry will continue to be proactive in providing constructive lending and servicing to customers.

AgCountry serves a broad range of commodities and agricultural industries across its territory. The summaries below provide a high-level overview of conditions and outlook for the primary commodities. See www.agcountry.com/resources for a more comprehensive discussion of current economic conditions and impact on commodities.

Specific Production Conditions

Corn: U.S. corn futures rallied throughout the first quarter of 2022 with old crop hitting new highs in early March and new crop hitting new highs the last day of March. The effect of Russia's invasion of Ukraine, the fourth largest corn producer in the world, remains uncertain. The United States Department of Agriculture (USDA) Prospective Plantings report showed U.S. producers intending far less acres of corn than trade had expected.

Soybeans: Both old and new crop soybean prices hit contract highs in mid-February 2022 when news of Russia's invasion of Ukraine pushed markets into turmoil. The impacts of drought on the South American soybean crop created unseasonal buying of U.S. beans and aggressive export shipments will be needed to meet USDA's current export projections for the 2021 crop. The USDA Prospective Plantings report on the last day of March 2022 reflected far more soybean acres than the trade had expected.

Wheat: All classes of U.S. wheat were volatile in the wake of the Russia-Ukraine conflict as those countries together represent roughly 29.0% of global export volume. The USDA Prospective Plantings report showed more total acres of wheat than traders expected, but primarily of winter wheat types. Spring wheat plantings were lower than last year with the bulk of those acres moving to additional durum.

Sugar Beets: The USDA World Agricultural Supply and Demand (WASDE) reports showed a tightening balance sheet from February to March 2022 as the USDA cut both beet and cane sugar production estimates for the U.S. Current stock to use estimates of 13.6% are slightly reduced from the 2020 estimated final number of 13.8%. The USDA planting intentions for sugar beets showed reductions from last year's plantings, primarily in Michigan.

Dairy: Class III milk futures posted higher through the first quarter of 2022, supported by overall inflationary pressures as well as declining production estimates. The USDA's March 2022 WASDE report reduced cow numbers and slowed the growth of production per cow. Total milk projections in March 2022 were lowered to 226 billion pounds, which is just below the 2021 totals while demand estimates remained firm. USDA raised the projected price levels for every major dairy product class.

Ethanol: Ethanol markets ended March 2022 with 26.5 million barrels of inventory, exceeded only during the height of the COVID-19 pandemic. Ethanol producers increased production levels through February and March. Profit margin on ethanol production, as estimated by the Iowa State Center for Agricultural and Rural Development, is basically breakeven as of the last week in March.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $10.8 billion at March 31, 2022, an increase of $1.7 billion from December 31, 2021. The increase was primarily due to the merger with FCS ND, which added approximately $1.4 billion to the loan portfolio.

Portfolio Credit Quality

The credit quality of our portfolio remained stable from December 31, 2021. Adversely classified loans were 1.4% of the portfolio at March 31, 2022, and December 31, 2021. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, the Federal Agricultural Mortgage Corporation and other government agency guarantee programs are used to reduce the risk of loss. At March 31, 2022, $350.3 million of our loans were substantially guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	**March 31, 2022**	December 31, 2021
Loans:		
Nonaccrual	**$ 12,089**	$ 11,375
Accruing restructured	**2,206**	2,322
Accruing loans 90 days or more past due	**5,771**	1,427
Total risk loans	**20,066**	15,124
Other property owned	**--**	--
Total risk assets	**$ 20,066**	$ 15,124
Total risk loans as a percentage of total loans	**0.2%**	0.2%
Nonaccrual loans as a percentage of total loans	**0.1%**	0.1%
Current nonaccrual loans as a percentage of total nonaccrual loans	**59.5%**	56.8%
Total delinquencies as a percentage of total loans	**0.2%**	0.1%

Note: Accruing loans include accrued interest receivable.

Our risk assets increased from December 31, 2021 but remained at acceptable levels. Despite the increase in risk assets, total risk loans as a percentage of total loans were well within our established risk management guidelines.

Our accounting policy requires loans past due 90 days or more to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis, accruing loans 90 days or more past due were eligible to remain in accruing status. The increase in accruing loans 90 days or more past due was primarily due to three customers and full collection is expected.

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	**0.2%**	0.3%
Nonaccrual loans	**180.3%**	201.7%
Total risk loans	**108.6%**	151.7%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at March 31, 2022.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the three months ended March 31	**2022**	2021
Net income	**$ 42,714**	$ 41,097
Return on average assets	**1.5%**	1.8%
Return on average members' equity	**7.2%**	8.6%

Changes presented in the profitability information chart relate directly to:

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

Changes in Significant Components of Net Income

(in thousands) For the three months ended March 31		2022		2021		Increase (decrease) in net income
Net interest income	$	64,676	$	51,708	$	12,968
(Reversal of) provision for credit losses		(1,330)		608		1,938
Non-interest income		20,177		21,139		(962)
Non-interest expense		42,445		31,210		(11,235)
Provision for (benefit from) income taxes		1,024		(68)		(1,092)
Net income	$	42,714	$	41,097	$	1,617

Net Interest Income

Changes in Net Interest Income

(in thousands) For the three months ended March 31		2022 vs 2021
Changes in volume	$	12,829
Changes in interest rates		169
Changes in nonaccrual income and other		(30)
Net change	$	12,968

The increase in net interest income was primarily due to increased loan volume as a result of the merger with FCS ND.

Non-Interest Expense

The change in non-interest expense was primarily due to increases in operating expenses and Farm Credit System insurance expense due to merger and are consistent with forecasts for the merged entity.

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, 2024. 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 $380.1 million from December 31, 2021, due to capital of $359.6 million acquired through the merger with FCS ND and net income for the period reduced by patronage accruals.

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

Regulatory Capital Requirements and Ratios

As of:	**March 31, 2022**	December 31, 2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**17.2%**	17.6%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**17.2%**	17.6%	6.0%	2.5%	8.5%
Total capital ratio	**17.5%**	17.9%	8.0%	2.5%	10.5%
Permanent capital ratio	**17.3%**	17.7%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**19.7%**	20.3%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**19.7%**	21.6%	1.5%	N/A	1.5%

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

CERTIFICATION

The undersigned have reviewed the March 31, 2022, Quarterly Report of AgCountry 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.

Greg Sabolik
Board Chair
AgCountry Farm Credit Services, ACA

Marcus L. Knisely
President and Chief Executive Officer
AgCountry Farm Credit Services, ACA

Rebecca A. Thibert
Chief Financial Officer
AgCountry Farm Credit Services, ACA

May 4, 2022

CONSOLIDATED STATEMENTS OF CONDITION

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

As of:		March 31, 2022		December 31, 2021
ASSETS				
Loans	**$**	**10,830,543**	$	9,103,774
Allowance for loan losses		**21,791**		22,946
Net loans		**10,808,752**		9,080,828
Investment in AgriBank, FCB		**267,368**		227,709
Accrued interest receivable		**77,074**		80,619
Premises and equipment, net		**48,354**		35,783
Other assets		**111,105**		108,393
Total assets	**$**	**11,312,653**	$	9,533,332
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**8,808,767**	$	7,379,556
Accrued interest payable		**23,199**		20,097
Deferred tax liabilities, net		**2,055**		1,889
Patronage distribution payable		**22,625**		67,500
Other liabilities		**63,284**		51,664
Total liabilities		**8,919,930**		7,520,706
Contingencies and commitments (Note 3)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**13,418**		11,755
Capital stock and participation certificates receivable		**(11,598)**		(11,755)
Additional paid-in capital		**662,638**		304,385
Unallocated surplus		**1,738,442**		1,718,268
Accumulated other comprehensive loss		**(10,177)**		(10,027)
Total members' equity		**2,392,723**		2,012,626
Total liabilities and members' equity	**$**	**11,312,653**	$	9,533,332

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Three Months Ended	
For the period ended March 31	**2022**	2021
Interest income	**$ 88,173**	$ 71,933
Interest expense	**23,497**	20,225
Net interest income	**64,676**	51,708
(Reversal of) provision for credit losses	**(1,330)**	608
Net interest income after (reversal of) provision for credit losses	**66,006**	51,100
Non-interest income		
Patronage income	**12,166**	11,044
Financially related services income	**4,804**	3,995
Fee income	**2,952**	6,121
Other non-interest income	**255**	(21)
Total non-interest income	**20,177**	21,139
Non-interest expense		
Salaries and employee benefits	**24,622**	18,404
Other operating expense	**17,017**	12,792
Other non-interest expense	**806**	14
Total non-interest expense	**42,445**	31,210
Income before income taxes	**43,738**	41,029
Provision for (benefit from) income taxes	**1,024**	(68)
Net income	**$ 42,714**	$ 41,097
Other comprehensive income		
Employee benefit plans activity	**$ 317**	$ 245
Total other comprehensive income	**317**	245
Comprehensive income	**$ 43,031**	$ 41,342

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

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

	Capital Stock and Participation Certificates and Receivable, Net	Additional Paid-in Capital	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2020	$ --	$ 304,385	$ 1,608,312	$ (9,662)	$ 1,903,035
Net income	--	--	41,097	--	41,097
Other comprehensive income	--	--	--	245	245
Unallocated surplus designated for patronage distributions	--	--	(17,249)	--	(17,249)
Capital stock and participation certificates issued	259	--	--	--	259
Capital stock and participation certificates retired	(339)	--	--	--	(339)
Reductions to capital stock and participation certificates receivable, net	80	--	--	--	80
Balance at March 31, 2021	$ --	$ 304,385	$ 1,632,160	$ (9,417)	$ 1,927,128
Balance at December 31, 2021	$ --	$ 304,385	$ 1,718,268	$ (10,027)	$ 2,012,626
Adjustments due to merger	**1,817**	**358,253**	**--**	**(467)**	**359,603**
Net income	**--**	**--**	**42,714**	**--**	**42,714**
Other comprehensive income	**--**	**--**	**--**	**317**	**317**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(22,540)**	**--**	**(22,540)**
Capital stock and participation certificates issued	**212**	**--**	**--**	**--**	**212**
Capital stock and participation certificates retired	**(366)**	**--**	**--**	**--**	**(366)**
Reductions to capital stock and participation certificates receivable, net	**157**	**--**	**--**	**--**	**157**
Balance at March 31, 2022	**$ 1,820**	**$ 662,638**	**$ 1,738,442**	**$ (10,177)**	**$ 2,392,723**

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).

Merger Activity

Effective January 1, 2022, Farm Credit Services of North Dakota, ACA (FCS ND) merged into AgCountry Farm Credit Services, ACA (AgCountry). AgCountry acquired 100% of the assets and liabilities of FCS ND. The merged Association, AgCountry Farm Credit Services, ACA, is headquartered in Fargo, ND. The primary reason for the merger was to strategically position the associations to best serve member needs, now and in the future. The effects of the merger are included in the merged Association's results of operations, statement of condition, average balances, and related metrics beginning January 1, 2022.

The acquisition method of accounting requires the financial statement presentation of combined balances as of the date of merger, but not for previous periods. The Consolidated Statements of Condition reflect the merged balances as of March 31, 2022. The Consolidated Statements of Comprehensive Income and the Consolidated Statements of Changes in Members' Equity reflect the results of the merged Association after January 1, 2022, and AgCountry prior to January 1, 2022. Information in the Notes to the Consolidated Financial Statements for 2022 reflect balances of the merged Association.

As cooperative organizations, Farm Credit associations operate for the mutual benefit of their members and other customers and not for the benefit of equity investors. As such, capital stock provides no significant interest in corporate earnings or growth. Specifically, due to restrictions in applicable regulations and the bylaws, the associations can issue stock only at its par value of $5 per share, the stock is not tradable, and the stock can be retired only for the lesser of par value or book value. The shares of FCS ND stock were converted in the merger into shares of AgCountry stock with identical rights and attributes. For this reason, the conversion of FCS ND stock pursuant to the merger occurred at a one-for-one exchange ratio (i.e., each FCS ND share was converted into one share of AgCountry stock with an equal par value).

The capital stock and participation certificates acquired from FCS ND are currently included within members' equity on the Consolidated Statements of Condition. Subsequent to March 31, 2022, stock owned by these borrowers will be transitioned to accounts receivable stock and accounted for consistent with our current policy. A contra receivable for the transferred stock will be established and included in the line item titled "Capital stock and participation certificates receivable". This change has no impact on the capital stock or participation certificates owned by the borrowers and borrowers retain all rights afforded to them by the Farm Credit Act. In addition, while this change will reduce our equity, we do not anticipate this change to have a material impact on our capital ratios.

Management believes that because the stock in each association is fixed in value (although subject to impairment), the AgCountry stock issued pursuant to the merger provided no basis for estimating the fair value of the consideration transferred pursuant to the merger. In the absence of a purchase price determination, AgCountry undertook a process to estimate the acquisition-date fair value FCS ND's equity interests instead of the acquisition-date fair value of AgCountry's equity interests transferred as consideration. The fair value of the assets acquired, including specific intangible assets and liabilities assumed from FCS ND, were measured based on various estimates using assumptions that management believes are reasonable and using information available as of the merger date. Use of different estimates and judgments could yield materially different results.

The merger was accounted for as a business combination under the acquisition method of accounting. Pursuant to these rules, AgCountry acquired the assets and assumed the liabilities of FCS ND at their acquisition-date fair value. The fair value of the net identifiable assets acquired ($359.6 million) was substantially equal to the fair value of the equity interest exchanged in the merger. In addition, no material amounts of intangible assets were acquired. As a result, no goodwill was recorded. A net increase of $359.6 million was recorded in members' equity related to the merger.

The following condensed statement of net assets acquired reflects the fair value assigned to FCS ND's net assets as of the acquisition date. There were no subsequent changes to the initial fair value measurements since the merger.

Condensed Statement of Net Assets Acquired

(in thousands) As of January 1, 2022		North Dakota
Assets		
Net loans	$	1,384,102
Accrued interest receivable		14,824
Other assets		57,300
Total assets	$	1,456,226
Liabilities		
Notes payable	$	1,079,753
Accrued interest payable		2,148
Other liabilities		14,722
Total liabilities	$	1,096,623
Fair value of net assets acquired	$	359,603

Fair value adjustments to FCS ND's assets and liabilities included a $4.7 million decrease to loans and a $3.6 million decrease to notes payable to reflect credit discounts, changes in interest rates and other market conditions since the time these instruments were issued. These differences are being accreted or amortized into net interest income over the remaining life of the loan portfolio and debt instruments. The Association expects to collect the majority of the contractual amounts of the acquired loans not considered to be purchased credit-impaired, which totaled $1.4 billion at January 1, 2022. Refer to Note 2 in our 2021 Annual Report for further discussion on purchased credit-impaired loans.

Principles of Consolidation

The Consolidated Financial Statements present the consolidated financial results of AgCountry Farm Credit Services, ACA and its subsidiaries AgCountry Farm Credit Services, FLCA and AgCountry 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 the first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 that 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 the first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	We expect to adopt the standard as of January 1, 2023. We have completed development and internal validation of our model to estimate credit losses for our loan portfolio is ongoing. Processes and internal controls related to the model and the estimation of credit losses for loans are currently being designed. We are in the process of drafting disclosures and accounting policies. The extent of the impact on our financial statements will depend on economic conditions, forecasts, and the composition of our loan portfolio 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

As a result of the merger we acquired $1.4 billion in loans, of which 94.4% were categorized as having acceptable credit quality and 99.8% were current in payment status. A portion of the acquired loans were considered to be credit-impaired. However, they are not significant to the Consolidated Financial Statements as a whole.

Loans by Type

(dollars in thousands)

As of:	**March 31, 2022**			December 31, 2021		
		Amount	%		Amount	%
Real estate mortgage	**$**	**4,409,001**	**40.7%**	$	3,936,204	43.2%
Production and intermediate-term		**2,149,974**	**19.9%**		2,106,315	23.1%
Agribusiness		**3,230,509**	**29.8%**		2,254,031	24.8%
Other		**1,041,059**	**9.6%**		807,224	8.9%
Total	**$**	**10,830,543**	**100.0%**	$	9,103,774	100.0%

The other category is primarily composed of rural infrastructure 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	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$ 1,589**	**$ 5,554**	**$ 7,143**	**$ 4,449,355**	**$ 4,456,498**	**$ 1,734**
Production and intermediate-term	**3,821**	**6,231**	**10,052**	**2,160,551**	**2,170,603**	**3,056**
Agribusiness	**--**	**981**	**981**	**3,236,497**	**3,237,478**	**981**
Other	**--**	**--**	**--**	**1,043,038**	**1,043,038**	**--**
Total	**$ 5,410**	**$ 12,766**	**$ 18,176**	**$ 10,889,441**	**$ 10,907,617**	**$ 5,771**

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	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 2,058	$ 4,285	$ 6,343	$ 3,979,664	$ 3,986,007	$ 1,427
Production and intermediate-term	893	1,757	2,650	2,127,670	2,130,320	--
Agribusiness	1,116	--	1,116	2,258,714	2,259,830	--
Other	--	--	--	808,236	808,236	--
Total	$ 4,067	$ 6,042	$ 10,109	$ 9,174,284	$ 9,184,393	$ 1,427

Note: Accruing loans include accrued interest receivable.

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	**$**	**3,563**	$	3,897
Volume without specific allowance		**16,503**		11,227
Total risk loans	**$**	**20,066**	$	15,124
Total specific allowance	**$**	**1,061**	$	1,322
For the three months ended March 31		**2022**		2021
Income on accrual risk loans	**$**	**95**	$	75
Income on nonaccrual loans		**394**		424
Total income on risk loans	**$**	**489**	$	499
Average risk loans	**$**	**19,097**	$	18,697

Note: Accruing loans include accrued interest receivable.

We had no material 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 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. We completed TDRs of certain real estate mortgage loans during the three months ended March 31, 2021. Our recorded investment in these loans just prior to and immediately following the restructuring was $1.6 million. The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, acquisition costs, and unamortized adjustments to fair value on loans acquired through merger and may also reflect a previous direct charge-off of the investment.

The primary type of modification was deferral of principal.

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	**$ 1,084**	$ 1,205
Production and intermediate-term	**1,122**	1,117
Agribusiness	**--**	--
Total TDRs in accrual status	**$ 2,206**	$ 2,322
Nonaccrual status:		
Real estate mortgage	**$ 1,209**	$ 1,287
Production and intermediate-term	**134**	161
Agribusiness	**769**	770
Total TDRs in nonaccrual status	**$ 2,112**	$ 2,218
Total TDRs:		
Real estate mortgage	**$ 2,293**	$ 2,492
Production and intermediate-term	**1,256**	1,278
Agribusiness	**769**	770
Total TDRs	**$ 4,318**	$ 4,540

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	**$ 22,946**	$ 22,344
(Reversal of) provision for loan losses	**(1,177)**	348
Loan recoveries	**25**	4
Loan charge-offs	**(3)**	(1)
Balance at end of period	**$ 21,791**	$ 22,695

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) provision for 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) provision for credit losses	**$**	**(153)**	$	260
As of:		**March 31, 2022**		December 31, 2021
Accrued credit losses	**$**	**4,169**	$	4,322

NOTE 3: CONTINGENCIES AND COMMITMENTS

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

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

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

NOTE 4: FAIR VALUE MEASUREMENTS

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

We did not have any assets or liabilities measured at fair value on a recurring basis at 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	**$**	**--**	**$**	**--**	**$**	**2,627**	**$ 2,627**
As of December 31, 2021	Fair Value Measurement Using						Total Fair
		Level 1		Level 2		Level 3	Value
Impaired loans	$	--	$	--	$	2,704	$ 2,704

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.

NOTE 5: SUBSEQUENT EVENTS

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