Quarterly Report
June 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Mid-America, ACA and its subsidiaries, Farm Credit Mid-America, FLCA and Farm Credit Mid-America, 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, 2022 (2022 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 Farm Credit Mid-America, ACA and Farm Credit Midsouth, ACA (Midsouth) was effective April 1, 2023. The merged entity, Farm Credit Mid-America, ACA, is headquartered in Louisville, Kentucky. The merged entity now serves over 137,000 customers in 391 counties in Arkansas, Indiana, Kentucky, Missouri, Ohio, and Tennessee, and yields approximately $39.0 billion in owned and managed assets.

The effects of the merger with Midsouth are included in our financial position, results of operations, equity, and related metrics beginning April 1, 2023. Prior year results have not been restated to reflect the impact of the merger. Upon the closing of the merger, loans increased $914.2 million, assets increased by $978.0 million, liabilities increased by $757.0 million, and members' equity increased by $221.0 million. These amounts include adjustments to fair value, as required by accounting standards for business combinations.

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 2022 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 general economy is in an odd place. What historically was considered good news, a jump in new jobs, is viewed as a possible challenge depending on how the Federal Reserve reacts. Inflation remains a real issue for most consumers, along with higher rates on increasing credit card debt and new mortgages, while at the same time consumer cash reserves have fallen well below their Covid peak. While the stock market has recovered nicely from the October 2022 lows, it remains relatively volatile.

The United States Department of Agriculture's (USDA) June 2023 Planted Acreage report sent new crop corn prices down sharply based on estimates that producers increased corn acres by 6%. New crop corn is now hovering around the $5 per bushel mark, which for many producers will be below cost of production. Still the market may provide price opportunities with 67.0% of corn still rooted in some level of drought. On the livestock side, cattle markets remain strong. Hog markets are improving but the first half of 2023 has been brutal. The impact of the Supreme Court upholding California's Prop 12 is rippling through the industry. The drop in prices for some commodities further supports the USDA's March 2023 projection for lower net farm income in 2023. Based on a sample of 2023 customer financial statements, most are carrying adequate working capital to withstand short term issues while adjusting to lower margins.

Agricultural producer sentiment rebounded in June with the Purdue June 2023 Ag Economy Barometer index climbing 17 points to a reading of 121. The sentiment improvement was all attributable to farmers' more optimistic view of the future as the Index of Future Expectations reached 123, which is 25 points higher than in May. The future expectations improvement stood in contrast to producers' appraisal of current conditions which was unchanged

from May 2023. The more optimistic view of the future held by respondents was reflected across the board as the Farm Financial Conditions, Short and Long-Term Farmland Value Expectations, and Farm Capital Investment indices all improved in June compared to May 2023.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $30.6 billion at June 30, 2023, an increase of $1.3 billion from December 31, 2022. The increase was primarily due to the merger with Midsouth effective April 1, 2023, and was partially offset by an asset pool sale to AgriBank. On June 1, 2023, we sold $539.5 million of a participation interest in real estate loans to AgriBank. AgriBank has established a separate patronage pool for these assets and intends to pay the net earnings back to us as patronage.

Portfolio Credit Quality

The credit quality of our portfolio remained stable from December 31, 2022. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. Adversely classified loans were 1.5% of the portfolio at June 30, 2023, and December 31, 2022. We have considered portfolio credit quality in assessing the reasonableness of our allowance for credit losses on loans.

Nonperforming Assets

Effective January 1, 2023, we adopted Accounting Standards Update (ASU) 2016-13 “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures, and replaced the incurred loss guidance. This framework requires that management’s estimate reflects credit losses over the asset’s remaining expected life and considers expected future changes in macroeconomic conditions and is referred to as the Current Expected Credit Loss (CECL) model. The allowance for credit losses comprises the allowance for credit losses on loans, unfunded commitments, and investment securities.

Components of Nonperforming Assets

(dollars in thousands) **As of:**	**June 30, 2023**	December 31, 2022
Loans:		
Non-accrual	**$ 144,517**	$ 96,983
Accruing loans 90 days or more past due	**56,067**	124,846
Total nonperforming loans	**200,584**	221,829
Other property owned	**730**	147
Total nonperforming assets	**$ 201,314**	$ 221,976
Total nonperforming loans as a percentage of total loans	**0.7%**	0.8%
Non-accrual loans as a percentage of total loans	**0.5%**	0.3%
Current non-accrual loans as a percentage of total non-accrual loans	**78.4%**	73.2%
Total delinquencies as a percentage of total loans	**0.6%**	0.8%

Note: Prior to the adoption of CECL, which was effective January 1, 2023, accruing loans included accrued interest receivable. Additionally, certain prior period ratios have been updated to conform to current period presentation.

Our nonperforming assets have decreased from December 31, 2022, and have remained at acceptable levels. Total nonperforming loans as a percentage of total loans were well within our established risk management parameters.

The increase in non-accrual loans was primarily due to certain real estate and production and intermediate-term loans that moved to non-accrual status during the first quarter of 2023. Non-accrual loans remained at an acceptable level at June 30, 2023, and December 31, 2022.

The decrease in accruing loans 90 days or more past due and the decrease in total delinquencies as a percentage of total loans was primarily due to the collection of a delinquent USDA guaranteed loan. The collection on the account had been delayed at the request of the USDA. The remaining USDA guaranteed assets are well secured and full payment is expected. Our accounting policy requires loans past due 90 days or more to be transferred into non-accrual status unless adequately secured and a plan is in place to collect past due amounts. Based on our analysis, accruing loans 90 days or more past due were eligible to remain in accruing status.

Allowance for Credit Losses on Loans

Allowance For Credit Losses on Loans Coverage Ratios

As of:	June 30, 2023	December 31, 2022
Allowance for credit losses on loans as a percentage of:		
Loans	**0.20%**	0.20%
Non-accrual loans	**42.2%**	61.1%
Total nonperforming loans[1]	**30.4%**	27.9%

[1]Prior period ratio has been updated to conform to current period presentation.

Effective January 1, 2023, the allowance for credit losses on loans is an estimate of expected credit losses in our portfolio. We determine the appropriate level of allowance for credit losses on loans based on a disciplined process and methodology that incorporates expected probabilities of default and severity of loss based on historical portfolio performance, forecasts of future economic conditions, and management's judgment with respect to unique aspects of current and expected conditions that may not be contemplated in historical loss experience or forecasted economic conditions. Prior to January 1, 2023, the allowance for loan losses was an estimate of losses on loans in our portfolio as of the financial statement date.

Total allowance for credit losses on loans was $60.9 million at June 30, 2023, and $59.2 million at December 31, 2022. The increase from December 31, 2022, was primarily related to increased specific reserves on loans downgraded to non-accrual status and partially offset by the cumulative effect adjustment as a result of the adoption of CECL. Additional information regarding the CECL adoption is included in Note 1. In our opinion, the allowance for credit losses on loans was reasonable in relation to the risk in our loan portfolio at June 30, 2023.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the six months ended June 30,	2023	2022
Net income	**$ 250,975**	$ 223,408
Return on average assets	**1.53%**	1.50%
Return on average members' equity	**8.64%**	8.22%

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 six months ended June 30,	2023	2022	Increase (decrease) in net income
Net interest income	**$ 356,247**	$ 297,021	**$ 59,226**
Provision for credit losses	**16,863**	(6,451)	**(23,314)**
Non-interest income	**121,982**	113,923	**8,059**
Non-interest expense	**204,029**	186,631	**(17,398)**
Provision for income taxes	**6,362**	7,356	**994**
Net income	**$ 250,975**	$ 223,408	**$ 27,567**

Net Interest Income

Changes in Net Interest Income

(in thousands)

For the six months ended June 30,	2023 vs 2022
Changes in volume	**$ 22,044**
Changes in interest rates	**35,778**
Changes in non-accrual income and other	**1,404**
Net change	**$ 59,226**

Provision for Credit Losses

The increase in provision for credit losses was due to the specific reserves established on loans that moved to non-accrual status during the first half of 2023 and increased provision on unfunded commitments.

Non-Interest Expense

The change in non-interest expense was primarily due to increased staffing related expenses.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable was scheduled to mature on April 30, 2025. However, it was renewed early for $32.0 billion with a maturity date of March 31, 2026. 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 June 30, 2023, or December 31, 2022.

Total members' equity increased $354.3 million from December 31, 2022, primarily due to net income for the period, equity adjustments in connection to the merger with Midsouth, and the cumulative effect of the change in accounting principle 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 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 7 in our 2022 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	June 30, 2023	December 31, 2022	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**15.8%**	16.4%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**15.8%**	16.4%	6.0%	2.5%	8.5%
Total capital ratio	**16.0%**	16.6%	8.0%	2.5%	10.5%
Permanent capital ratio	**15.8%**	16.4%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**15.2%**	15.6%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**14.9%**	15.3%	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 11 in our 2022 Annual Report.

CERTIFICATION

The undersigned have reviewed the June 30, 2023, Quarterly Report of Farm Credit Mid-America, 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.

Todd A. Clark
Chair of the Board
Farm Credit Mid-America, ACA

Daniel Wagner
President and Chief Executive Officer
Farm Credit Mid-America, ACA

Steve Zagar
Chief Financial Officer
Farm Credit Mid-America, ACA

August 9, 2023

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Mid-America, ACA
(in thousands)

As of:		June 30, 2023		December 31, 2022
		(Unaudited)		
ASSETS				
Loans	**$**	**30,601,624**	$	29,274,940
Allowance for credit losses on loans		**60,921**		59,233
Net loans		**30,540,703**		29,215,707
Investment in AgriBank, FCB		**1,099,155**		1,041,250
Investment securities		**1,485,967**		1,221,684
Accrued interest receivable		**300,115**		268,875
Assets held for lease, net		**12,856**		15,777
Other assets		**481,442**		395,221
Total assets	**$**	**33,920,238**	$	32,158,514
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**27,519,937**	$	26,015,258
Accrued interest payable		**221,899**		173,932
Deferred tax liabilities, net		**1,423**		302
Patronage distribution payable		**129,552**		230,000
Other liabilities		**93,240**		139,164
Total liabilities		**27,966,051**		26,558,656
Contingencies and commitments (Note 4)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**83,627**		81,749
Additional paid-in capital		**219,777**		--
Unallocated surplus		**5,652,157**		5,518,828
Accumulated other comprehensive loss		**(1,374)**		(719)
Total members' equity		**5,954,187**		5,599,858
Total liabilities and members' equity	**$**	**33,920,238**	$	32,158,514

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
For the period ended June 30,	**2023**	2022	**2023**	2022
Interest income	**$ 411,328**	$ 252,640	**$ 775,237**	$ 492,793
Interest expense	**226,372**	105,404	**418,990**	195,772
Net interest income	**184,956**	147,236	**356,247**	297,021
Provision for credit losses	**5,403**	(3,788)	**16,863**	(6,451)
Net interest income after provision for credit losses	**179,553**	151,024	**339,384**	303,472
Non-interest income				
Patronage income	**46,300**	44,901	**92,407**	84,579
Financially related services income	**743**	427	**1,313**	1,186
Fee income	**15,975**	14,418	**26,222**	25,828
Operating lease income	**55**	1,394	**581**	2,665
Other non-interest income, net	**159**	505	**1,459**	(335)
Total non-interest income	**63,232**	61,645	**121,982**	113,923
Non-interest expense				
Salaries and employee benefits	**64,091**	54,244	**121,064**	109,299
Other operating expense	**42,743**	41,483	**82,160**	76,348
Other non-interest expense	**615**	993	**805**	984
Total non-interest expense	**107,449**	96,720	**204,029**	186,631
Income before income taxes	**135,336**	115,949	**257,337**	230,764
Provision for income taxes	**4,006**	3,692	**6,362**	7,356
Net income	**$ 131,330**	$ 112,257	**$ 250,975**	$ 223,408
Other comprehensive income				
Employee benefit plans activity	**$ 42**	$ 29	**$ 63**	$ 58
Total other comprehensive income	**42**	29	**63**	58
Comprehensive income	**$ 131,372**	$ 112,286	**$ 251,038**	$ 223,466

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Additional Paid-in Capital	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2021	$ 80,285	$ --	$ 5,289,781	$ (900)	$ 5,369,166
Net income	--	--	223,408	--	223,408
Other comprehensive income	--	--	--	58	58
Unallocated surplus designated for patronage distributions	--	--	(108,762)	--	(108,762)
Capital stock and participation certificates issued	4,573	--	--	--	4,573
Capital stock and participation certificates retired	(3,656)	--	--	--	(3,656)
Balance at June 30, 2022	$ 81,202	$ --	$ 5,404,427	$ (842)	$ 5,484,787
Balance at December 31, 2022	$ 81,749	$ --	$ 5,518,828	$ (719)	$ 5,599,858
Net income	**--**	**--**	**250,975**	**--**	**250,975**
Other comprehensive income	**--**	**--**	**--**	**63**	**63**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(127,704)**	**--**	**(127,704)**
Cumulative effect of change in accounting principle	**--**	**--**	**10,058**	**--**	**10,058**
Equity adjustments in connection with merger	**1,907**	**219,777**	**--**	**(718)**	**220,966**
Capital stock and participation certificates issued	**4,008**	**--**	**--**	**--**	**4,008**
Capital stock and participation certificates retired	**(4,037)**	**--**	**--**	**--**	**(4,037)**
Balance at June 30, 2023	**$ 83,627**	**$ 219,777**	**$ 5,652,157**	**$ (1,374)**	**$ 5,954,187**

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 six months ended June 30, 2023, are not necessarily indicative of the results to be expected for the year ending December 31, 2023. 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, 2022 (2022 Annual Report).

Merger Activity

Effective April 1, 2023, Farm Credit Midsouth, ACA (Midsouth) merged into Farm Credit Mid-America, ACA (Mid-America). Mid-America acquired 100% of the assets and liabilities of Midsouth. The merged Association, Farm Credit Mid-America, ACA, is headquartered in Louisville, Kentucky. The primary reason for the merger was to strategically position the Associations to best serve member needs. The effects of the merger are included in the Association's results of operations, statement of condition, average balances, and related metrics beginning April 1, 2023.

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 June 30, 2023. The Consolidated Statements of Comprehensive Income and the Consolidated Statements of Changes in Members' Equity reflect the results of the merged Association after April 1, 2023, and Mid-America prior to April 1, 2023. Information in the Notes to the Consolidated Financial Statements for 2023 reflects balances of the merged Association as of June 30, or in the case of transactional activity, of the merged Association for the period April 1 to June 30.

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. 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 Midsouth stock were converted in the merger into shares of Mid-America stock with identical rights. For this reason, the conversion of Midsouth stock pursuant to the merger occurred at a one-for-one exchange ratio (i.e., each Midsouth share was converted into one share of Mid-America stock with an equal par value).

Management believes that because the stock in each association is fixed in value (although subject to impairment), the Mid-America 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, Mid-America undertook a process to identify and estimate the acquisition-date fair value of Midsouth's equity interests instead of the acquisition-date fair value of Mid-America's equity interests transferred as consideration. The fair value of the assets acquired, including specific intangible assets and liabilities assumed from Midsouth, were measured based on various estimates using assumptions that management believes are reasonable utilizing 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, Mid-America acquired the assets and assumed the liabilities of Midsouth at their acquisition-date fair value. The fair value of the net identifiable assets acquired ($221.0 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 $221.0 million was recorded in members' equity related to the merger.

The following condensed statement of net assets acquired reflects the fair value assigned to Midsouth'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 April 1, 2023	Midsouth
Assets	
Net loans	$ 914,229
Accrued interest receivable	12,904
Other assets	50,838
Total assets	$ 977,971
Liabilities	
Notes payable	$ 747,453
Accrued interest payable	5,471
Other liabilities	4,080
Total liabilities	$ 757,004
Fair value of net assets acquired	$ 220,967

Fair value adjustments to Midsouth's assets and liabilities included a $140.9 million decrease to loans and a $88.6 million decrease to notes payable to reflect credit discounts and 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 respective loans and debt instruments on an effective yield basis. The Association expects to collect the substantial majority of the contractual amounts of the acquired loans not considered to be purchased credit deteriorated, which totaled $1.1 billion at April 1, 2023.

Principles of Consolidation

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

Significant Accounting Policies

Loans: Loans are carried at their principal amount outstanding, net of any unearned income, cumulative net charge-offs and unamortized deferred fees and costs on originated loans and unamortized premiums or discounts on purchased loans and unamortized adjustments to fair value on loans acquired through merger. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Origination fees, net of related costs, are deferred and recognized over the life of the loan as an adjustment to net interest income. The net amount of loan fees and related origination costs are not material to the Consolidated Financial Statements taken as a whole.

A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan remains contractually past due until it is modified or until the entire amount past due, including principal, accrued interest and penalty interest incurred as the result of past due status, is collected or otherwise discharged in full.

Generally, loans are placed in non-accrual status when principal or interest is delinquent for 90 days or more (unless adequately secured and in the process of collection) or circumstances indicate that full collection is not expected. When a loan is placed in non-accrual status, and the interest is determined to be both uncollectible and the loss is known, we reverse current year accrued interest to the extent principal plus accrued interest exceeds the net realizable value of the collateral prior to reclassification. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for credit losses on loans. Subsequent recoveries, if any, are added to the allowance for credit losses on loans. Any cash received on non-accrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and certain other criteria are met. In these circumstances, interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Non-accrual loans may be returned to accrual status when principal and interest are current, the customer's ability to fulfill the contractual payment terms is fully expected, and, if the loan was past due when placed in non-accrual status, the loan has evidence of sustained performance in making on-time contractual payments (typically based on payment frequency).

Loan modifications may be granted to borrowers experiencing financial difficulty. Qualifying disclosable modifications are one or a combination of principal forgiveness, interest rate reduction, or a term or payment extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

Prior to January 1, 2023, in situations where, for economic or legal reasons related to the borrower's financial difficulties, we granted a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan was classified as a troubled debt restructuring (TDR), also known as a formally restructured loan for regulatory purposes. A concession was generally granted to minimize economic loss and avoid foreclosure. Concessions varied by program and borrower and may have included interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven. Loans classified as TDRs were considered risk loans. There may have been modifications made in the normal course of business that were not considered TDRs.

Loans that are sold as participations are transferred as entire financial assets, groups of entire financial assets, or participating interests in the loans. The transfers of such assets or participating interests are structured such that control over the transferred assets, or participating interests have been surrendered and that all the conditions have been met to be accounted for as a sale.

Allowance for Credit Losses: Effective January 1, 2023, we adopted Accounting Standards Update (ASU) 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures, and replaced the incurred loss guidance. This framework requires that management's estimate reflects credit losses over the asset's remaining expected life and considers expected future changes in macroeconomic conditions and is referred to as the Current Expected Credit Loss (CECL) model. The allowance for credit losses comprises the allowance for credit losses on loans, unfunded commitments, and investment securities.

Allowance for Credit Losses on Loans

Beginning January 1, 2023, the allowance for credit losses on loans (ACLL) represents the estimated current expected credit losses on the loan portfolio over the remaining contractual life of the loan portfolio, adjusted for expected prepayments. The ACLL takes into consideration relevant information about past events, current conditions, and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are not unconditionally cancellable.

The ACLL is increased through provisions for loan losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. The provision activity is included as part of the "Provision for Credit Losses" in the Consolidated Statements of Comprehensive Income. See Note 2 for further information.

Determining the appropriateness of the ACLL is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the then-existing loan portfolio, in light of the factors then prevailing, may result in significant changes in the ACLL in those future periods. Loans are evaluated on the amortized cost basis. We utilize the weighted results of three economic scenarios (Baseline, Pessimistic, and Optimistic) over a reasonable and supportable forecast period of two years followed by a two year reversion to long-term economic

values which obtain of the remaining contractual life of loans. Subsequent to the forecast period, we revert to historical loss experience to inform the estimate of losses for the remaining estimated contractual life of the portfolio.

The economic forecasts are updated on a quarterly basis and include macroeconomic variables such as net farm income, unemployment rates, housing price index, and agricultural land values. These are combined with loan and borrower characteristics such as internal risk ratings, loan type, and the remaining term of the loan to calculate an estimated expected credit loss. We also consider the imprecision inherent in the process and methodology, which may lead to a management adjustment to the modeled ACLL results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral.

The process and methodology to establish the ACLL has two components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for loans that share similar risk characteristics to estimate expected credit losses using the methodology described above. When a loan does not share risk characteristics with other loans, expected credit loss is measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. In accordance with our appraisal policy, the fair value of collateral-dependent loans is based upon independent third-party appraisals or on collateral valuations prepared by in-house appraisers. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed or non-recoverable, the credit loss portion of the loan will be charged-off against the ACLL.

In estimating the component of the ACLL that share common risk characteristics, loans are pooled and segregated into loan classes based on loan type, commodity, and internal risk rating. The model calculates an expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by internal risk rating, and the severity of loss, based on the aggregate net lifetime losses incurred.

The final credit loss estimate also considers factors not reflected in the economic forecast and historical loss experience due to the unique aspects of current conditions and expectations. These factors may include, but are not limited to: lending policies and procedures, experience and depth of lending staff, credit quality and delinquency trends, individual borrower and industry concentrations, national, regional, and local economic business conditions and developments, collateral value trends, and expected performance of specific industry sectors not reflected in the economic forecast.

Prior to January 1, 2023, the allowance for loan losses was an estimate of losses inherent in our loan portfolio as of the financial statement date. We determined 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. Refer to our 2022 Annual Report for additional information.

Allowance for Credit Losses on Unfunded Commitments
Under CECL, we evaluate the need for an allowance for credit losses on unfunded commitments, which is included in "Other liabilities" in the Consolidated Statements of Condition. The related provision is included as part of the "Provision for Credit Losses" in the Consolidated Statements of Comprehensive Income. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the institution and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No allowance for credit losses is recorded for commitments that are unconditionally cancellable.

Accrued Interest Receivable: Accrued interest receivable is presented separately in the Consolidated Statements of Condition and includes accrued interest on loans and investment securities. Additionally, accrued interest receivable has been excluded from the footnote disclosures for all periods after January 1, 2023.

Investment Securities: We are authorized by the Farm Credit Administration to purchase and hold certain types of investments. As we have the positive intent and ability to hold these investments to maturity, they have been classified as held-to-maturity and are carried at amortized cost, net of allowance for credit losses on investments upon the adoption of CECL. Purchased premiums and discounts are amortized or accreted using the interest method over the terms of the respective securities.

Quarterly, we evaluate the investment portfolio for credit losses. When the present value of cash flows expected to be collected from the security is less than the amortized cost basis of the security, an allowance for credit losses is recognized and is limited to the amortized cost less the fair value. For securities that are guaranteed by the U.S. government or other governmental agencies, we have not recognized an allowance for credit losses on investments as our expectation of nonpayment of the amortized cost basis, based on historical losses, is zero.

There have been no other changes in our accounting policies as disclosed in our 2022 Annual Report, except as previously described and in the Recently Issued or Adopted Accounting Pronouncements section.

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 business 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 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 qualified for the deferral of the mandatory effective date. As a result of the change, the standard was effective for our first quarter of 2023 and early adoption was permitted. Additionally, the FASB issued several updates during 2019 refining and clarifying Topic 326.	This guidance replaced 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.	We adopted the standard and subsequently issued updates as of January 1, 2023. As a result of adoption of this guidance, the allowance for credit losses on loans decreased by $10.1 million and the allowance for credit losses on unfunded commitments decreased by $3.6 million, with a cumulative-effect increase, net of tax balances, to retained earnings of $10.1 million. The adoption of the standard did not have a material impact related to our held-to-maturity investment portfolio as the substantial majority of these investments carry a full faith and credit guarantee of the U.S. government or an implicit credit guarantee from its agencies and have an immaterial risk of credit loss. No allowance for credit losses was recognized in relation to our investment portfolio upon adoption.
In March 2022, the FASB issued ASU 2022-02 "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures." The guidance was effective at the same time that ASU 2016-13 was adopted.	This guidance eliminated 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. The expanded Vintage Disclosures are not applicable to nonpublic business entities.	We adopted the standard on January 1, 2023. The adoption of this guidance did not have a material impact on our financial statements, but modified certain disclosures beginning in 2023. However, modifications during the period were not material; therefore, related disclosures have been omitted from this report.

NOTE 2: LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

As a result of the merger we acquired $914.2 million in loans, of which 98.8% were categorized as having acceptable credit quality and 99.6% were current in payment status. A portion of the acquired loans were considered to be purchased credit deteriorated. However, they are not significant to the financial statements as a whole.

Loans by Type

(dollars in thousands)

As of:	**June 30, 2023**		December 31, 2022	
	Amortized Cost	%	Amortized Cost	%
Real estate mortgage	**$ 19,128,670**	**62.5%**	$ 18,485,811	63.1%
Production and intermediate-term	**5,677,811**	**18.6%**	5,125,775	17.5%
Agribusiness	**3,705,635**	**12.1%**	3,562,228	12.2%
Rural residential real estate	**916,274**	**3.0%**	895,459	3.1%
Finance leases and other	**1,173,234**	**3.8%**	1,205,667	4.1%
Total	**$ 30,601,624**	**100.0%**	$ 29,274,940	100.0%

The finance leases and other category is primarily composed of certain assets characterized as mission related investments and rural infrastructure related loans, as well as lease receivables.

Throughout Note 2 accrued interest receivable on loans of $282.9 million at June 30, 2023, has been excluded from the amortized cost of loans and is presented in "Accrued interest receivable" in the Consolidated Statements of Condition.

Credit Quality

We utilize the Farm Credit Administration (FCA) Uniform Classification System to categorize loans into five credit quality categories. The categories are:

- Acceptable – loans are non-criticized loans representing the highest quality. They are expected to be fully collectible. This category is further differentiated into various probabilities of default.
- Other assets especially mentioned (Special Mention) – loans are currently collectible but exhibit some potential weakness. These loans involve increased credit risk, but not to the point of justifying a substandard classification.
- Substandard – loans exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful – loans exhibit similar weaknesses as substandard loans. Doubtful loans have additional weaknesses in existing factors, conditions, and values that make collection in full highly questionable.
- Loss – loans are considered uncollectible.

We had no loans categorized as loss at June 30, 2023, or December 31, 2022.

Credit Quality of Loans at Amortized Cost[1]

(dollars in thousands)	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of June 30, 2023	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$ 18,531,859**	**96.9%**	**$ 295,914**	**1.5%**	**$ 300,897**	**1.6%**	**$ 19,128,670**	**100.0%**
Production and intermediate-term	**5,461,385**	**96.2%**	**107,687**	**1.9%**	**108,739**	**1.9%**	**5,677,811**	**100.0%**
Agribusiness	**3,617,398**	**97.6%**	**38,661**	**1.1%**	**49,576**	**1.3%**	**3,705,635**	**100.0%**
Rural residential real estate	**903,522**	**98.6%**	**1,779**	**0.2%**	**10,973**	**1.2%**	**916,274**	**100.0%**
Finance leases and other	**1,172,885**	**100.0%**	**--**	**--**	**349**	**0.0%**	**1,173,234**	**100.0%**
Total	**$ 29,687,049**	**97.0%**	**$ 444,041**	**1.5%**	**$ 470,534**	**1.5%**	**$ 30,601,624**	**100.0%**

	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2022	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 18,050,269	96.8%	$ 287,460	1.5%	$ 305,671	1.7%	$ 18,643,400	100.0%
Production and intermediate-term	4,984,802	96.1%	113,124	2.2%	87,124	1.7%	5,185,050	100.0%
Agribusiness	3,519,263	98.2%	11,683	0.3%	52,346	1.5%	3,583,292	100.0%
Rural residential real estate	885,468	98.6%	1,236	0.1%	11,811	1.3%	898,515	100.0%
Finance leases and other	1,221,383	100.0%	--	--	503	0.0%	1,221,886	100.0%
Total	$ 28,661,185	97.1%	$ 413,503	1.4%	$ 457,455	1.5%	$ 29,532,143	100.0%

[1]Prior to the adoption of CECL, which was effective January 1, 2023, accruing loans included accrued interest receivable.

Delinquency

Aging Analysis of Loans at Amortized Cost[1]

(in thousands) **As of June 30, 2023**	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	**$ 31,151**	**$ 11,924**	**$ 43,075**	**$ 19,085,595**	**$ 19,128,670**	**$ 608**
Production and intermediate-term	**15,256**	**7,785**	**23,041**	**5,654,770**	**5,677,811**	**657**
Agribusiness	**12,865**	**158**	**13,023**	**3,692,612**	**3,705,635**	**--**
Rural residential real estate	**3,322**	**2,276**	**5,598**	**910,676**	**916,274**	**280**
Finance leases and other	**41,267**	**54,741**	**96,008**	**1,077,226**	**1,173,234**	**54,522**
Total	**$ 103,861**	**$ 76,884**	**$ 180,745**	**$ 30,420,879**	**$ 30,601,624**	**$ 56,067**

As of December 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	$ 16,194	$ 12,617	$ 28,811	$ 18,614,589	$ 18,643,400	$ 449
Production and intermediate-term	4,162	6,084	10,246	5,174,804	5,185,050	449
Agribusiness	--	148	148	3,583,144	3,583,292	--
Rural residential real estate	6,195	2,081	8,276	890,239	898,515	79
Finance leases and other	70,903	124,072	194,975	1,026,911	1,221,886	123,869
Total	$ 97,454	$ 145,002	$ 242,456	$ 29,289,687	$ 29,532,143	$ 124,846

[1]Prior to the adoption of CECL, which was effective January 1, 2023, accruing loans included accrued interest receivable.

Non-Accrual Loans

Non-Accrual Loans by Type

(in thousands) **As of:**	**June 30, 2023**	December 31, 2022
Real estate mortgage	**$ 94,680**	$ 70,351
Production and intermediate-term	**44,302**	20,766
Agribusiness	**182**	148
Rural residential real estate	**5,111**	5,474
Finance leases and other	**242**	244
Total	**$ 144,517**	$ 96,983

Additional Non-Accrual Loans Information

(in thousands)	As of June 30, 2023 Amortized Cost Without Allowance	For the Six Months Ended June 30, 2023 Interest Income Recognized
Real estate mortgage	**$ 93,205**	**$ 4,033**
Production and intermediate-term	**19,950**	**2,016**
Agribusiness	**182**	**--**
Rural residential real estate	**4,920**	**461**
Finance leases and other	**242**	**--**
Total	**$ 118,499**	**$ 6,510**

Reversals of interest income on loans that moved to non-accrual status were not material for the six months ended June 30, 2023.

Allowance for Credit Losses

Changes in Allowance for Credit Losses

(in thousands) **Six months ended June 30,**	**2023**	2022
Allowance for Credit Losses on Loans		
Balance at beginning of period	**$ 59,233**	$ 70,723
Cumulative effect of change in accounting principle	**(10,114)**	--
Provision for loan losses	**12,460**	(7,190)
Recoveries	**620**	1,095
Charge-offs	**(1,278)**	(1,219)
Balance at end of period	**$ 60,921**	$ 63,409
Allowance for Credit Losses on Unfunded Commitments		
Balance at beginning of period	**$ 8,578**	$ 7,310
Cumulative effect of change in accounting principle	**(3,561)**	--
Provision for unfunded commitments	**4,403**	739
Balance at end of period	**$ 9,420**	$ 8,049
Total allowance for credit losses	**$ 70,341**	$ 71,458

Previously Required Disclosures

The disclosures in this section were required prior to January 1, 2023. Upon the adoption of CECL, these disclosures are no longer required prospectively.

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:**	December 31, 2022
Volume with specific allowance	$ 10,531
Volume without specific allowance	226,246
Total risk loans	$ 236,777
Total specific allowance	$ 5,090
For the six months ended June 30,	2022
Income on accrual risk loans	$ 2,626
Income on non-accrual loans	5,106
Total income on risk loans	$ 7,732
Average risk loans	$ 255,134

Note: Accruing loans include accrued interest receivable.

TDRs: Prior to the adoption of CECL, a restructuring of a loan constituted a troubled debt restructuring, also known as formally restructured, if the creditor for economic or legal reasons related to the borrower's financial difficulties granted a concession to the borrower that it would not otherwise consider. Concessions varied by program and were borrower-specific and could include interest rate reductions, term extensions, payment deferrals, or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven.

We completed TDRs of certain production and intermediate-term loans during the six months ended June 30, 2022. Our recorded investment in these loans just prior to and immediately following restructuring was $642 thousand during the six months ended June 30, 2022. The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment. The primary types of modification for the six months ended June 30, 2022, included interest rate reduction below market and forgiveness of principal and interest.

There were no TDRs that defaulted during the six months ended June 30, 2022, in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) **As of:**		December 31, 2022
Accrual status:		
Real estate mortgage	$	11,008
Production and intermediate-term		2,577
Rural residential real estate		1,363
Total TDRs in accrual status	$	14,948
Non-accrual status:		
Real estate mortgage	$	5,402
Production and intermediate-term		762
Rural residential real estate		283
Total TDRs in non-accrual status	$	6,447
Total TDRs:		
Real estate mortgage	$	16,410
Production and intermediate-term		3,339
Rural residential real estate		1,646
Total TDRs	$	21,395

Note: Accruing loans include accrued interest receivable.

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $1.5 billion at June 30, 2023, and $1.2 billion at December 31, 2022. Our investment securities consisted of pools of loans guaranteed by the Small Business Administration (SBA), except for $5.6 million at June 30, 2023, and $5.7 million at December 31, 2022, which were not guaranteed.

The investment securities have been classified as held-to-maturity. Effective January 1, 2023, we adopted CECL. Prior to January 1, 2023, the investment portfolio was evaluated for other-than-temporary impairment. No investments within the portfolio were impaired at December 31, 2022. No allowance for credit losses was recognized in relation to our investment portfolio at June 30, 2023.

Our investments are either mortgage-backed securities (MBS), which are generally longer-term investments, or asset-backed securities (ABS), which are generally shorter-term investments. SBA guaranteed investments may be comprised of either MBS or ABS.

Additional Investment Securities Information

(dollars in thousands) **As of June 30, 2023**		Amortized Cost
MBS	**$**	**1,076,011**
ABS		**409,956**
Total	**$**	**1,485,967**

Accrued interest receivable on investment securities is presented in “Accrued interest receivable” in the Consolidated Statements of Condition and was $17.2 million at June 30, 2023.

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $31.0 million and $2.7 million for the six months ended June 30, 2023, and 2022, respectively.

Contractual Maturities of Investment Securities

(in thousands) **As of June 30, 2023**		Amortized Cost
Less than one year	**$**	**109**
One to five years		**4,148**
Five to ten years		**308,662**
More than ten years		**1,173,048**
Total	**$**	**1,485,967**

Previously Required Disclosures

The disclosures in this section were required prior to January 1, 2023. Upon the adoption of CECL, these disclosures are no longer required prospectively.

Additional Investment Securities Information

(dollars in thousands) As of December 31, 2022	Weighted Average Yield		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value
MBS	1.6%	$	877,619	$	--	$	74,961	$	802,658
ABS	2.3%		344,065		--		24,144		319,921
Total	1.8%	$	1,221,684	$	--	$	99,105	$	1,122,579

A summary of investments in an unrealized loss position presented by the length of time the investments have been in a continuous unrealized loss position follows:

(in thousands)	Less than 12 months				Greater than 12 months			
As of December 31, 2022		Fair Value		Unrealized Losses		Fair Value		Unrealized Losses
MBS	$	654,761	$	55,442	$	147,691	$	19,519
ABS		298,548		21,902		21,373		2,242
Total	$	953,309	$	77,344	$	169,064	$	21,761

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 11 in our 2022 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 2022 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 June 30, 2023, or December 31, 2022.

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 June 30, 2023	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	**$ --**	**$ --**	**$ 9,406**	**$ 9,406**
Other property owned	**--**	**--**	**774**	**774**

As of December 31, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	$ --	$ --	$ 5,712	$ 5,712
Other property owned	--	--	156	156

Valuation Techniques

Loans: Represents the carrying amount of loans evaluated individually for credit losses and are deemed to be collateral dependent. The carrying value amount is based on the estimated value of the underlying collateral, less costs to sell. When the fair value of the collateral, less cost to sell, is less than the amortized cost basis of the loan, a specific allowance for expected credit losses is established. Costs to sell represent transaction costs and are not included as a component of the collateral's estimated fair value. Typically, 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 and, therefore, are classified as Level 3 fair value measurements.

Other Property Owned: 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 August 9, 2023, 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.