Quarterly Report
September 30, 2022

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, 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

On June 24, 2022, the Boards of Directors of Farm Credit Midsouth, ACA and Farm Credit Mid-America, ACA executed a letter of intent to merge the two associations. The merged association would be named Farm Credit Mid-America, ACA and headquartered in Louisville, Kentucky. Today, combining the associations would serve over 137,000 customers in 391 counties in Arkansas, Indiana, Kentucky, Missouri, Ohio and Tennessee, and would yield approximately $36.0 billion in owned and managed assets. The Boards of both Associations and AgriBank approved the merger, and it was submitted to the Farm Credit Administration on September 22, 2022, for review. If the Farm Credit Administration approves the merger, customer-owners would vote on the merger in early 2023. If approved, the target effective date for the merger is April 1, 2023.

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 chance of a recession appears to be increasing. Rising interest rates are having the anticipated impact in the economy, the question remains how high rates will rise and the ultimate impact on asset values and productivity. A soft landing also now seems less likely. We have been in an economic up cycle in agriculture since late 2019 and realize that the backend of the current cycle will begin at some point. While the outlook for most of agriculture remains good for 2022, margins specifically for 2023 are being compressed by rapidly increasing costs. Crop harvest is well underway in our four-state area (Indiana, Kentucky, Ohio, and Tennessee) with generally mixed results with Tennessee showing the most stress of the four states. Most yields are average to just below average, but gross revenues based on commodity prices still supports a good 2022 just not at 2021 levels. Globally commodities and input supplies remain tight.

The Highly Pathogenic Avian Influenza continues to pressure poultry producers, but at the same time the market is strong for those able to remain clean. Livestock producers of all categories are challenged with feed costs and continued pressures on labor supply, but generally benefited from strong summer prices for products. However, in the last quarter, consumers are showing signs of stress and are substituting products as they manage tightening family budgets. Drought in the West continues to accelerate the decline of the cow herd and may severely hamper the cattle industry's attempts to add packing capacity and may challenge any new plants that do come online. Even though The Purdue University/CME Group Ag Economy Barometer reported that producers see future softening of land values, values accelerated again in the third quarter. Cash from producers and investors has become a strong competitor in the market supporting the rapid rise in values. The market continues to view agriculture land as an attractive hedge against inflation.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $28.5 billion at September 30, 2022, an increase of $1.2 billion from December 31, 2021. The increase was primarily due to activity in real estate mortgage and agribusiness loans.

Portfolio Credit Quality

The credit quality of our portfolio improved from December 31, 2021. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. Adversely classified loans decreased to 1.7% of the portfolio at September 30, 2022, from 2.6% of the portfolio at December 31, 2021. Continued growth in high quality new loans and proactive engagement with customers experiencing economic challenges has strengthened the overall portfolio. Despite the fact inflation remains high, interest rates are rising, housing starts have slowed, refinance activity has stopped, construction contract cancelations have jumped, and the Housing Affordability Index is at its worst rating in several years; the recent deceleration in inflation has improved consumer sentiment (August 2022 University of Michigan Surveys of Consumers). We will continue to monitor these challenging economic factors and their impact to our portfolio. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

Risk Assets

Components of Risk Assets

(dollars in thousands) **As of:**	**September 30, 2022**	December 31, 2021
Loans:		
Non-accrual	**$ 125,198**	$ 141,955
Accruing restructured	**15,225**	15,771
Accruing loans 90 days or more past due	**145,452**	67,123
Total risk loans	**285,875**	224,849
Other property owned	**297**	1,272
Total risk assets	**$ 286,172**	$ 226,121
Total risk loans as a percentage of total loans	**1.0%**	0.8%
Non-accrual loans as a percentage of total loans	**0.4%**	0.5%
Current non-accrual loans as a percentage of total non-accrual loans	**71.0%**	69.0%
Total delinquencies as a percentage of total loans	**0.9%**	0.9%

Note: Accruing loans include accrued interest receivable.

Our risk assets have increased from December 31, 2021, but have 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 parameters.

The decrease in non-accrual loans was primarily due to positive ag economic conditions and proactively engaging customers experiencing financial stress leading to timely and mutually beneficial outcomes. Non-accrual loans remained at an acceptable level at September 30, 2022, and December 31, 2021.

The increase in accruing loans 90 days or more past due was primarily due to delinquencies in United States Department of Agriculture guaranteed assets, for which we expect full payment. 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 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:	**September 30, 2022**	December 31, 2021
Allowance as a percentage of:		
Loans	**0.20%**	0.26%
Non-accrual loans	**45.1%**	49.8%
Total risk loans	**19.8%**	31.5%

The allowance for loan losses decreased from December 31, 2021, due to the reversal of credit losses recorded during the nine months ended September 30, 2022. The allowance analysis indicated a reversal of allowance was needed due to improved credit quality and economic conditions. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at September 30, 2022.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) **For the nine months ended September 30**	**2022**	2021
Net income	**$ 357,271**	$ 319,350
Return on average assets	**1.59%**	1.58%
Return on average members' equity	**8.71%**	8.16%

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 nine months ended September 30**	**2022**	2021	**Increase (decrease) in net income**
Net interest income	**$ 453,893**	$ 407,429	**$ 46,464**
Reversal of credit losses	**(12,230)**	(9,112)	**3,118**
Non-interest income	**184,611**	174,352	**10,259**
Non-interest expense	**281,790**	263,743	**(18,047)**
Provision for income taxes	**11,673**	7,800	**(3,873)**
Net income	**$ 357,271**	$ 319,350	**$ 37,921**

Net Interest Income

Changes in Net Interest Income

(in thousands) **For the nine months ended September 30**	**2022 vs 2021**
Changes in volume	**$ 34,225**
Changes in interest rates	**10,882**
Changes in non-accrual income and other	**1,357**
Net change	**$ 46,464**

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, 2024. However, it was renewed early for $28.0 billion with a maturity date of April 30, 2025. 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 September 30, 2022, or December 31, 2021.

Total members' equity increased $197.3 million from December 31, 2021, primarily due to net income for the period 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 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:	September 30, 2022	December 31, 2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**16.7%**	17.9%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**16.7%**	17.9%	6.0%	2.5%	8.5%
Total capital ratio	**16.9%**	18.2%	8.0%	2.5%	10.5%
Permanent capital ratio	**16.7%**	18.0%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**15.9%**	16.9%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**15.7%**	18.1%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as disclosed in Note 11 in our 2021 Annual Report.

CERTIFICATION

The undersigned have reviewed the September 30, 2022, 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.

Andrew Wilson
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

November 9, 2022

CONSOLIDATED STATEMENTS OF CONDITION

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

As of:	September 30, 2022	December 31, 2021
ASSETS		
Loans	**$ 28,465,935**	$ 27,257,721
Allowance for loan losses	**56,520**	70,723
Net loans	**28,409,415**	27,186,998
Investment in AgriBank, FCB	**933,905**	864,105
Investment securities	**1,199,395**	834,625
Accrued interest receivable	**274,672**	202,544
Assets held for lease, net	**17,470**	36,774
Other assets	**452,226**	416,273
Total assets	**$ 31,287,083**	$ 29,541,319
LIABILITIES		
Note payable to AgriBank, FCB	**$ 25,313,841**	$ 23,745,489
Accrued interest payable	**136,825**	88,774
Deferred tax liabilities, net	**2,754**	4,068
Patronage distribution payable	**163,125**	210,000
Other liabilities	**104,094**	123,822
Total liabilities	**25,720,639**	24,172,153
Contingencies and commitments (Note 4)		
MEMBERS' EQUITY		
Capital stock and participation certificates	**81,633**	80,285
Unallocated surplus	**5,485,625**	5,289,781
Accumulated other comprehensive loss	**(814)**	(900)
Total members' equity	**5,566,444**	5,369,166
Total liabilities and members' equity	**$ 31,287,083**	$ 29,541,319

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		Nine Months Ended	
For the period ended September 30	**2022**	2021	**2022**	2021
Interest income	**$ 293,705**	$ 223,620	**$ 786,498**	$ 665,525
Interest expense	**136,833**	86,672	**332,605**	258,096
Net interest income	**156,872**	136,948	**453,893**	407,429
Reversal of credit losses	**(5,779)**	(9,112)	**(12,230)**	(9,112)
Net interest income after reversal of credit losses	**162,651**	146,060	**466,123**	416,541
Non-interest income				
Patronage income	**46,070**	39,316	**130,649**	115,201
Financially related services income	**6,128**	5,523	**7,314**	6,635
Fee income	**11,693**	12,675	**37,521**	42,685
Operating lease income	**3,652**	890	**6,317**	6,384
Other non-interest income	**3,145**	769	**2,810**	3,447
Total non-interest income	**70,688**	59,173	**184,611**	174,352
Non-interest expense				
Salaries and employee benefits	**53,981**	59,493	**163,280**	165,737
Other operating expense	**41,170**	33,743	**117,518**	96,477
Other non-interest expense	**8**	209	**992**	1,529
Total non-interest expense	**95,159**	93,445	**281,790**	263,743
Income before income taxes	**138,180**	111,788	**368,944**	327,150
Provision for income taxes	**4,317**	3,071	**11,673**	7,800
Net income	**$ 133,863**	$ 108,717	**$ 357,271**	$ 319,350
Other comprehensive income				
Employee benefit plans activity	**$ 28**	$ 26	**$ 86**	$ 80
Total other comprehensive income	**28**	26	**86**	80
Comprehensive income	**$ 133,891**	$ 108,743	**$ 357,357**	$ 319,430

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	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2020	$ 77,157	$ 5,068,119	$ (948)	$ 5,144,328
Net income	--	319,350	--	319,350
Other comprehensive income	--	--	80	80
Unallocated surplus designated for patronage distributions	--	(203,771)	--	(203,771)
Capital stock and participation certificates issued	8,473	--	--	8,473
Capital stock and participation certificates retired	(5,891)	--	--	(5,891)
Balance at September 30, 2021	$ 79,739	$ 5,183,698	$ (868)	$ 5,262,569
Balance at December 31, 2021	$ 80,285	$ 5,289,781	$ (900)	$ 5,369,166
Net income	**--**	**357,271**	**--**	**357,271**
Other comprehensive income	**--**	**--**	**86**	**86**
Unallocated surplus designated for patronage distributions	**--**	**(161,427)**	**--**	**(161,427)**
Capital stock and participation certificates issued	**6,423**	**--**	**--**	**6,423**
Capital stock and participation certificates retired	**(5,075)**	**--**	**--**	**(5,075)**
Balance at September 30, 2022	**$ 81,633**	**$ 5,485,625**	**$ (814)**	**$ 5,566,444**

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 nine months ended September 30, 2022, are not necessarily indicative of the results to be expected for the year ending December 31, 2022. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2021 (2021 Annual Report).

The Consolidated Financial Statements present the consolidated financial results of 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.

Recently Issued or Adopted Accounting Pronouncements

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

Standard and effective date	Description	Adoption status and financial statement impact
In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13 “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amended the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	We expect to adopt the standard as of January 1, 2023. We have completed development and validation of our model to estimate credit losses for our loan portfolio. The implementation of processes, procedures, internal controls, and policy updates are being designed. We are also in the process of drafting disclosures. 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

Loans by Type

(dollars in thousands)

As of:	**September 30, 2022**		December 31, 2021	
	Amount	%	Amount	%
Real estate mortgage	**$ 18,070,756**	**63.5%**	$ 17,421,250	63.9%
Production and intermediate-term	**4,776,906**	**16.8%**	4,689,759	17.2%
Agribusiness	**3,471,344**	**12.2%**	2,883,053	10.6%
Rural residential real estate	**864,063**	**3.0%**	888,414	3.3%
Finance leases and other	**1,282,866**	**4.5%**	1,375,245	5.0%
Total	**$ 28,465,935**	**100.0%**	$ 27,257,721	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.

Delinquency

Aging Analysis of Loans

(in thousands) **As of September 30, 2022**		30-89 Days Past Due		90 Days or More Past Due		Total Past Due		Not Past Due or Less than 30 Days Past Due		Total		Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$**	**21,854**	**$**	**15,480**	**$**	**37,334**	**$**	**18,211,038**	**$**	**18,248,372**	**$**	**275**
Production and intermediate-term		**12,536**		**9,381**		**21,917**		**4,806,185**		**4,828,102**		**--**
Agribusiness		**--**		**137**		**137**		**3,489,379**		**3,489,516**		**--**
Rural residential real estate		**3,328**		**2,587**		**5,915**		**861,013**		**866,928**		**79**
Finance leases and other		**40,242**		**145,277**		**185,519**		**1,113,416**		**1,298,935**		**145,098**
Total	**$**	**77,960**	**$**	**172,862**	**$**	**250,822**	**$**	**28,481,031**	**$**	**28,731,853**	**$**	**145,452**

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	$	15,005	$	23,299	$	38,304	$	17,516,294	$	17,554,598	$	--
Production and intermediate-term		3,403		10,818		14,221		4,710,918		4,725,139		--
Agribusiness		--		105		105		2,894,400		2,894,505		--
Rural residential real estate		3,705		1,705		5,410		885,749		891,159		--
Finance leases and other		114,838		67,288		182,126		1,207,899		1,390,025		67,123
Total	$	136,951	$	103,215	$	240,166	$	27,215,260	$	27,455,426	$	67,123

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:**		**September 30, 2022**		December 31, 2021
Volume with specific allowance	**$**	**10,684**	$	11,669
Volume without specific allowance		**275,191**		213,180
Total risk loans	**$**	**285,875**	$	224,849
Total specific allowance	**$**	**5,421**	$	7,465
For the nine months ended September 30		**2022**		2021
Income on accrual risk loans	**$**	**4,929**	$	3,014
Income on non-accrual loans		**11,774**		10,417
Total income on risk loans	**$**	**16,703**	$	13,431
Average risk loans	**$**	**267,842**	$	273,687

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 September 30, 2022.

Troubled Debt Restructurings (TDRs)

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

TDR Activity

(in thousands) **Nine months ended September 30**	**2022**		2021	
	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	**$ --**	**$ --**	$ 461	$ 461
Production and intermediate-term	**724**	**724**	48	48
Total	**$ 724**	**$ 724**	$ 509	$ 509

Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. 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 included interest rate reduction below market and forgiveness of principal and interest.

There were no TDRs that defaulted during the nine months ended September 30, 2022, in which the modification was within twelve months of the respective reporting period. We had TDRs in the production and intermediate-term loan category of $6 thousand that defaulted during the nine months ended September 30, 2021, in which the modifications were within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) **As of:**	**September 30, 2022**	December 31, 2021
Accrual status:		
Real estate mortgage	**$ 11,203**	$ 12,411
Production and intermediate-term	**2,633**	1,880
Rural residential real estate	**1,389**	1,480
Total TDRs in accrual status	**$ 15,225**	$ 15,771
Non-accrual status:		
Real estate mortgage	**$ 6,691**	$ 9,299
Production and intermediate-term	**771**	2,100
Rural residential real estate	**291**	350
Total TDRs in non-accrual status	**$ 7,753**	$ 11,749
Total TDRs:		
Real estate mortgage	**$ 17,894**	$ 21,710
Production and intermediate-term	**3,404**	3,980
Rural residential real estate	**1,680**	1,830
Total TDRs	**$ 22,978**	$ 27,520

There were no material commitments to lend to borrowers whose loans have been modified in a TDR at September 30, 2022.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) **Nine months ended September 30**	**2022**	2021
Balance at beginning of period	**$ 70,723**	$ 82,867
Reversal of loan losses	**(13,600)**	(9,240)
Loan recoveries	**1,744**	1,749
Loan charge-offs	**(2,347)**	(3,396)
Balance at end of period	**$ 56,520**	$ 71,980

The “Reversal of credit losses” in the Consolidated Statements of Comprehensive Income includes a reversal of loan losses as presented in the previous chart, as well as a 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 nine months ended September 30**		**2022**		2021
Provision for credit losses	**$**	**1,370**	$	128
As of:		**September 30, 2022**		December 31, 2021
Accrued credit losses	**$**	**8,681**	$	7,310

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $1.2 billion at September 30, 2022, and $834.6 million at December 31, 2021. Our investment securities consisted of pools of loans guaranteed by the Small Business Administration (SBA), except for $5.8 million at September 30, 2022, and $6.1 million at December 31, 2021, of which were not guaranteed.

The investment securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. No investments within the portfolio were impaired at September 30, 2022, or December 31, 2021.

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 September 30, 2022**	Weighted Average Yield		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value
MBS	**1.0%**	**$**	**862,210**	**$**	**--**	**$**	**76,347**	**$**	**785,863**
ABS	**1.3%**		**337,185**		**--**		**24,361**		**312,824**
Total	**1.1%**	**$**	**1,199,395**	**$**	**--**	**$**	**100,708**	**$**	**1,098,687**
As of December 31, 2021	Weighted Average Yield		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value
MBS	0.6%	$	592,533	$	8,528	$	2,763	$	598,298
ABS	0.8%		242,092		7,553		207		249,438
Total	0.7%	$	834,625	$	16,081	$	2,970	$	847,736

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $7.4 million and $4.1 million for the nine months ended September 30, 2022, and 2021, respectively.

Contractual Maturities of Investment Securities

(in thousands) **As of September 30, 2022**		Amortized Cost
Less than one year	**$**	**69**
One to five years		**1,634**
Five to ten years		**212,272**
More than ten years		**985,419**
Total	**$**	**1,199,395**

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 September 30, 2022		Fair Value		Unrealized Losses		Fair Value		Unrealized Losses
MBS	**$**	**634,639**	**$**	**56,372**	**$**	**144,469**	**$**	**19,975**
ABS		**291,239**		**21,913**		**21,568**		**2,448**
Total	**$**	**925,878**	**$**	**78,285**	**$**	**166,037**	**$**	**22,423**

As of December 31, 2021	Less than 12 months Fair Value	Unrealized Losses	Greater than 12 months Fair Value	Unrealized Losses
MBS	$ 221,503	$ 2,681	$ 3,887	$ 82
ABS	28,816	207	--	--
Total	$ 250,319	$ 2,888	$ 3,887	$ 82

Unrealized losses associated with investment securities are not considered to be other-than-temporary due to the 100% guarantee of the principal by the U.S. government. However, the premiums paid to purchase the investment are not guaranteed and are amortized over the weighted average maturity of each loan as a reduction of interest income. Repayment of principal is assessed at least quarterly, and any remaining unamortized premium is taken as a reduction to interest income if principal repayment is unlikely, or when a demand for payment is made for the guarantee. At September 30, 2022, the majority of the $100.7 million unrealized loss represents unamortized premium.

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 2021 Annual Report for additional detail regarding contingencies and commitments.

NOTE 5: FAIR VALUE MEASUREMENTS

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

We did not have any assets or liabilities measured at fair value on a recurring basis at September 30, 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 September 30, 2022	Fair Value Measurement Using Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	**$ --**	**$ --**	**$ 5,526**	**$ 5,526**
Other property owned	**--**	**--**	**315**	**315**

As of December 31, 2021	Fair Value Measurement Using Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$ 4,415	$ 4,415
Other property owned	--	--	1,348	1,348

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.

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