Farm Credit of Florida, ACA

SECOND QUARTER 2022

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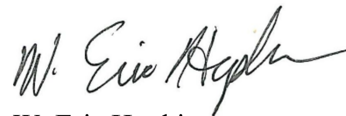
CERTIFICATION

The undersigned certify that we have reviewed the June 30, 2022 quarterly report of Farm Credit of Florida, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Marcus A. Boone
Chief Executive Officer

Laura Craker
Chief Financial Officer



W. Eric Hopkins
Chairman of the Board

August 8, 2022

Farm Credit of Florida, ACA

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel. This process provides reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidate Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of June 30, 2022. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of June 30, 2022, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material weaknesses in the internal control over financial reporting as of June 30, 2022.

Marcus A. Boone
Chief Executive Officer

Laura Craker
Chief Financial Officer

August 8, 2022

Farm Credit of Florida, ACA

Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Farm Credit of Florida, ACA, (Association) for the period ended June 30, 2022. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2021 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

The Association obtains funding through a borrowing relationship with AgFirst Farm Credit Bank (AgFirst or Bank). The Association is materially affected by the financial condition and results of operations of the Bank.

COVID-19

The COVID-19 pandemic has disrupted businesses and the global economy since March 2020. Significant progress was made during 2021 in mitigating the spread of COVID-19 resulting in improving macroeconomic conditions. However, the improvement has been hampered by disease variants, rising inflation, supply chain disruptions and labor shortages in the United States and globally.

See further discussion of business risks and support programs enacted associated with COVID-19 in the Association's 2021 Annual Report.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners, farm-related businesses, and other agribusiness firms for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities in the northern and southern regions of Florida. The commodities include but are not limited to cattle, citrus, dairy, equine, field crops, nurseries, sugar, timber, tropical fruits, and vegetables.

Supply constraints and robust consumer demand have led to marked increases in the prices of many goods and services, pushing the CPI inflation rate up to 9.1%, the largest 12-month increase since November 1981. Increases were broad-based, with indexes for gasoline, shelter, and food being the largest contributors to the all items CPI increase. In June, the energy index rose 7.5% and contributed nearly half of the all items increase, with the gasoline index rising 11.2% and the other major component indexes also rising. Over the past 12 months, the energy index rose 41.6% and the food index increased 10.4%. Bottlenecks remain severe across supply chains and consumer goods inflation has rocketed to a 40+ year high as a result, clearly outpacing average consumer wage gains. Also, Russia's invasion of Ukraine has made supply problems and inflation worse. Notwithstanding, the Florida unemployment rate was 2.8% at the end of June 2022, comparing favorably to the national average of 3.6% which is still elevated as Florida's economy entered the pandemic with an unemployment rate of 2.7%. Florida's unemployment rate has rebounded after exceeding 14% earlier in 2020. Despite the improvement, management will monitor any potential lingering impacts on its borrowers and loan portfolio as some credit quality deterioration and credit losses may occur. The Association is well capitalized and maintains an adequate allowance for loan losses allowing us to withstand stress in our loan portfolio.

Most commodity groups within the portfolio have experienced generally favorable operating results over the last two production seasons; however, citrus producers remain impacted by citrus greening disease. The various challenges from citrus greening disease has caused reduced production and declines in overall profitability for most producers. The final USDA production report indicates a 23% decrease in production for the 2021-2022 citrus crop, following a 21% decline the previous season. Despite these factors, the Association's citrus portfolio has continued to perform satisfactorily with performance issues isolated to only a few stressed growers. The dairy industry has also remained under stress due to supply and demand dynamics, in addition to the recent rise in feed costs. Most of the Association's dairy loans are to the fluid milk producers who had experienced depressed commodity prices for several years. While price has improved significantly now approaching all-time highs for many producers, increasing feed costs has kept most producers below profitable levels. Due to these significant stresses, a large portion of the Association's dairy loan portfolio remains criticized.

The horticultural or nursery segment remains strong as residential construction and the overall housing market continues to see stable demand. The forestry industry has also experienced favorable conditions backed by an improving housing market, although global trade remains a concern. The beef cattle industry had seen declining price trends for several periods prior to stabilizing in late 2020 with continued

improvement through 2021 as processors worked through the backlog of supply and demand remains strong. Most cattle producers are expected to remain profitable, albeit below historical levels as feed and transportation costs stay elevated.

Farm size varies throughout the regions and many borrowers have diversified farming operations. This factor, along with numerous opportunities for non-farm income in the territory, reduces the level of repayment dependency on a single agricultural commodity. Florida has experienced typical weather patterns and no weather events have had a material impact on borrowers over the past 12 months. Land values in the north region continue to exhibit stability since their improvement in 2014 with some areas increasing in value. Land values in the south region show stability with values increasing in more urban areas. Overall, land value sale surveys indicate land values are stable with increasing trends seen in certain segments.

The gross loan volume of the Association as of June 30, 2022, was $1,406,412, an increase of $4,717 or 0.34 percent as compared to $1,401,695 at December 31, 2021. Net loans outstanding at June 30, 2022, were $1,397,531 as compared to $1,392,617 at December 31, 2021, an increase of $4,914 or 0.35 percent. Net loans accounted for 97.32 percent of total assets at June 30, 2022, as compared to 96.14 percent of total assets at December 31, 2021. The increase in both gross and net loan volume during the period is primarily attributed to increased demand for credit in the market and a concerted marketing effort by Association lenders.

Competition continues to be strong in the large loan segment. Activity in small and middle market loans in the north region continues to be strong as well. Management has noted loan demand remains stable year to date 2022 in both the originated and the participations purchased loan portfolio, although real estate sales continue to reflect a high number of cash transactions reducing potential financing opportunities.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality improved compared to year end 2021 as a result of a decline in substandard and OAEM loans along with growth in acceptable loans. The primary decrease in substandard loans is due to liquidations primarily in the dairy commodity group and principal reductions from collateral sales. The primary decrease in OAEM loans is due to improvement and liquidations of loans in the equine commodity group. Acceptable and OAEM credit quality, as a percentage of the total loan portfolio, was 98.40 percent as of June 30, 2022 compared to 97.98 percent at December 31, 2021.

During the six months of 2022, nonaccrual loans decreased by $1,967 or 42.31 percent to $2,682 at June 30, 2022 from $4,649 at December 31, 2021. The decrease in nonaccrual loans is attributed to liquidations and curtailments received primarily in the nursery industry. At June 30, 2022, there were no properties in other property owned and no activity during the quarter. Therefore, other property owned at June 30, 2022 remained at a zero balance since December 31, 2021.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at June 30, 2022, was $8,881 compared to $9,078 at December 31, 2021. This decrease is due to lower specific reserves required on impaired loans and lower reserves required from improvement in credit quality during the period. Recoveries of $127 recorded during the six months ended June 30, 2022 were primarily in the nursery and non-farm income industries and charge-offs of $60 were mostly in the dairy industry. Management considers the current level of allowance adequate to cover additional possible losses. The ratio of the allowance for loan losses to gross loans at June 30, 2022 was 0.63 percent.

The allowance for loan losses at June 30, 2022 does not include $685 thousand of net purchase discounts related to acquired loans. The allowance for these loans was not carried forward at acquisition per accounting guidance. However, they were purchased at a net discount, which is the direct reduction to the recorded loan amount, to reflect the credit and market metrics related to the acquired portfolios. At June 30, 2022, the amount of credit risk reduction in addition to the allowance for loan losses, provided by these remaining discounts would equate to 0.05 percent of gross loans.

RESULTS OF OPERATIONS

For the three months ended June 30, 2022

The Association recorded net income for the three months ended June 30, 2022 of $7,500 as compared to $7,200 for the same period in 2021. This $300 or 4.17 percent increase is primarily attributed to an increase in net interest income offset by a decrease in reversal of allowance for loan losses.

Reversal of allowance for loan losses was $19 for the three months ended June 30, 2022 as compared to a reversal of allowance for loan losses of $726 during the same period in 2021, a decrease in the reversal of allowance of $707 or 97.38 percent. This decrease in the reversal is attributed to a decline in specific reserves required in the prior year and lower recoveries in the current year compared to the prior year. Net loan recoveries were $31 during the three months ended June 30, 2022 compared to net loan recoveries of $330 for the same period in 2021, a decrease in net loan recoveries of $299.

Net interest income was $10,260 for the three months ended June 30, 2022 as compared to $8,742 during the same period in 2021. The change in net interest income represents a $1,518 or 17.36 percent increase when compared to the same period last year and is attributed more interest recoveries on nonaccrual loan liquidations and higher interest from loan volume growth over the last 12 months.

Noninterest income for the three months ended June 30, 2022, totaled $3,780 as compared to $3,917 for the same period of 2021, a decrease of $137 or 3.50 percent. This decrease is

attributed primarily to a decrease in gains on sales of rural home loans and a decline in patronage refunds from other Farm Credit institutions.

Noninterest expense for the three months ended June 30, 2022, totaled $6,559 as compared to $6,185 for the same period of 2021, an increase of $374 or 6.05 percent. The primary reason for the increase in noninterest expense is attributed to $295 increase in other operating expenses from higher in-person travel, events, and training costs along with a $222 increase in insurance fund premiums resulting from an increase in the FCSIC insurance premium assessment rate.

For the six months ended June 30, 2022

Net income for the six months ended June 30, 2022 totaled $14,689 compared to $14,259 for the same period in 2021, an increase of $430 or 3.02 percent. The increase is primarily attributed to an increase in net interest income offset by a decrease in reversal of allowance for loan losses.

Reversal of allowance for loan losses was $264 for the six months ended June 30, 2022 as compared to a reversal of allowance for loan losses of $1,380 during the same period in 2021, a decrease in the reversal of allowance of $1,116 or 80.87 percent. This decrease in the reversal is attributed to a decrease in specific reserves required in the prior year and a decrease in net recoveries compared to the same period in 2021. Net loan recoveries were $67 during the six months ended June 30, 2022 compared to net loan recoveries of $533 for the same period in 2021, a decrease in net loan recoveries of $466.

Net interest income increased $1,751 or 9.88 percent for the six months ended June 30, 2022, as compared to the same period in 2021. This increase is attributed to loan volume growth over the last 12 months, more interest recoveries on nonaccrual loan liquidations, and higher interest income on variable rate loans resulting from increasing of the target range for the federal funds rate by the Federal Reserve during 2022.

Noninterest income for the six months ended June 30, 2022, totaled $7,829 as compared to $7,773 for the same period of 2021, an increase of $56 or 0.72 percent. This increase is attributed primarily to increases of $166 in patronage refunds from other Farm Credit institutions and $132 in fees for financially related services.

Noninterest expense for the six months ended June 30, 2022, increased $261 or 2.07 percent compared to the same period of 2021. The primary reason for the increase is attributed to $452 increase in other operating expenses from higher in-person travel, events, and training costs along with a $237 increase in insurance fund premiums resulting from an increase in the FCSIC insurance premium assessment rate. The increases were offset by a $361 decrease in salaries and employee benefits due to a decrease in employee retirement expense.

LIQUIDITY AND FUNDING SOURCES

Liquidity

Liquidity management is the process whereby funds are made available to meet all financial commitments including the extension of credit, payment of operating expenses, and payment of debt obligations. The Association receives access to funds through its borrowing relationship with the Bank and from income generated by operations. Sufficient liquid funds have been available to meet all financial obligations.

Funding Sources

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association’s credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. These funds are advanced by the Bank to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association.

The total notes payable to the Bank at June 30, 2022 was $1,086,112 as compared to $1,094,413 at December 31, 2021. The decrease during the period of $8,301 is primarily attributed to an increase in members’ equity resulting from net income for the six months ended June 30, 2022 and receipt of 2021 patronage dividends due from AgFirst Farm Credit Bank during the period offset by an increase in loan volume during the period.

The Association had no lines of credit outstanding with third parties as of June 30, 2022.

Funds Management

The Bank and the Association manage assets and liabilities to provide a broad range of loan products and funding options, which are designed to allow the Association to be competitive in all interest rate environments. The primary objective of the asset/liability management process is to provide stable and rising earnings, while maintaining adequate capital levels by managing exposure to credit and interest rate risks.

Demand for loan types is a driving force in establishing a funds management strategy. The Association offers fixed, adjustable and variable rate loan products that are marginally priced according to financial market rates. Variable rate loans may be indexed to market indices such as the Prime Rate or the Secured Overnight Financing Rate (SOFR). Adjustable rate mortgages are indexed to U.S. Treasury Rates. Fixed rate loans are priced based on the current cost of System debt of similar terms to maturity.

The majority of the interest rate risk in the Association's Consolidated Balance Sheets is transferred to the Bank through the notes payable structure. The Bank, in turn, actively utilizes funds management techniques to identify, quantify and control risk associated with the loan portfolio.

CAPITAL RESOURCES

Total members' equity at June 30, 2022, increased to $334,039 from the December 31, 2021 total of $319,807. The increase is primarily attributed to net income during the period.

Total capital stock and participation certificates were $2,951 on June 30, 2022, compared to $3,413 on December 31, 2021. The decrease is attributed to retirement of capital stock on loans liquidated in the ordinary course of business.

Regulatory Capital Ratios

The Association's regulatory capital ratios are shown in the following table:

	Regulatory Minimum, Including Buffer*	6/30/2022	12/31/2021	6/30/2021
Common Equity Tier 1 (CET1) Capital Ratio	7.0%	19.69%	19.45%	18.80%
Tier 1 Capital Ratio	8.5%	19.69%	19.45%	18.80%
Total Capital Ratio	10.5%	20.27%	20.06%	19.45%
Permanent Capital Ratio	7.0%	19.80%	19.56%	18.92%
Tier 1 Leverage Ratio**	5.0%	22.05%	22.13%	21.11%
Unallocated Retained Earnings (URE) and URE Equivalents Leverage Ratio	1.5%	17.90%	18.01%	17.07%

**Includes fully phased-in capital conservation buffers which became effective January 1, 2020.*
*** The Tier 1 Leverage Ratio must include a minimum of 1.50% of URE and URE Equivalents.*

The FCA sets minimum regulatory capital adequacy requirements for System banks and associations. The requirements are based on regulatory ratios as defined by the FCA and include common equity tier 1 (CET1), tier 1, total capital, permanent capital, tier 1 leverage, and unallocated retained earnings (URE) and URE equivalents leverage ratios.

The permanent capital, CET1, tier 1, and total capital ratios are calculated by dividing the three-month average daily balance of the capital numerator, as defined by the FCA, by a risk-adjusted asset base. Unlike these ratios, the tier 1 leverage and URE and URE equivalents leverage ratios do not incorporate any risk-adjusted weighting of assets. Risk-adjusted assets refer to the total dollar amount of the institution's assets adjusted by an appropriate credit conversion factor as defined by regulation. Generally, higher credit conversion factors are applied to assets with more inherent risk. The tier 1 leverage and URE and URE equivalents leverage ratios are calculated by dividing the three-month average daily balance of the capital numerator, as defined by the FCA, by the three-month average daily balance of total assets adjusted for regulatory deductions.

If the capital ratios fall below the minimum regulatory requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. For all periods presented, the Association exceeded minimum regulatory standards for all capital ratios.

There are no trends, commitments, contingencies, or events that are likely to affect the Association's ability to meet regulatory minimum capital standards and capital adequacy requirements.

REGULATORY MATTERS

On April 14, 2022, the FCA approved a final rule that amends certain regulations to address changes in accounting principles generally accepted in the United States. Such changes reflect the Current Expected Credit Losses (CECL) methodology that will replace the incurred loss methodology upon adoption. Credit loss allowances related to loans, lessor's net investments in leases, and held-to-maturity debt securities would be included in a System institution's Tier 2 capital up to 1.25 percent of the System institution's total risk weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets would not be eligible for inclusion in a System institution's Tier 2 capital. The regulation does not include a transition phase-in period for the CECL day 1 cumulative effect adjustment to retained earnings on a System institution's regulatory capital ratios. In addition, the regulation does not include an exclusion for the CECL day 1 cumulative effective adjustment from the "safe harbor" deemed prior approval provision. The final rule is effective on January 1, 2023.

On August 26, 2021, the FCA issued a proposed rule to revise its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) by assigning a 150 percent risk-weighting to such exposures, instead of the current 100 percent. The proposed rule would ensure that the FCA's rule remains comparable with the capital rule of other federal banking regulatory agencies and recognizes the increased risk posed by HVCRE exposures. The public comment period ended on January 24, 2022.

LIBOR Transition

The Association has exposure to LIBOR arising from loans made to customers, and Systemwide Debt Securities issued by the Funding Corporation on the Bank's behalf.

The FCA has issued guidelines with similar guidance as the U.S. prudential regulators but applicable for System institutions to follow as they prepare for the expected phase-out of LIBOR. The guidelines direct each System institution to develop a LIBOR transition plan designed to provide an orderly roadmap of actions that will reduce LIBOR exposure, stop the inflow of new LIBOR volume, and adjust operating processes to implement alternative reference rates.

The Association has implemented LIBOR transition plans and continues to analyze potential risks associated with the LIBOR transition, including, but not limited to, financial, market, accounting, operational, legal, tax, reputational, and compliance risks. See the Association's 2021 Annual Report for further discussion on the LIBOR transition.

The following is a summary of variable-rate financial instruments tied to LIBOR at June 30, 2022:

(dollars in thousands)	**Due in 2022**	**Due in 2023 (On or Before June 30)**	**Due After June 30, 2023**	**Total**
Loans	$ 11,577	$ 10,972	$ 258,504	$ 281,053
Total	$ 11,577	$ 10,972	$ 258,504	$ 281,053
Note Payable to AgFirst Farm Credit Bank	8,789	8,329	196,238	213,356
Total	$ 8,789	$ 8,329	$ 196,238	$ 213,356

The LIBOR transition plan includes implementing fallback language into variable-rate financial instruments maturing after June 30, 2023 which provides the ability to move these instruments to another index if the LIBOR market is no longer viable.

OTHER MATTERS

During the third quarter of 2015, the Association entered into an agreement with and began providing certain standard and as-requested optional or negotiated services to Puerto Rico Farm Credit, ACA for a fee. These services include, but do not fully cover and are not limited to, accounting, reporting, risk management, human resources, and loan on-boarding and servicing. The agreement is expected to leverage synergies and realize operating efficiencies and savings for both institutions. Both institutions are required to meet specified obligations under the agreement, which is automatically renewable for a one year term unless terminated by either institution with 180 days prior written notice or sooner if specified obligations are not satisfied. On March 1, 2022, the Association provided notice of non-renewal of the services agreement effective on the annual renewal date in September 2022.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements*, in the Notes to the Financial Statements, and the 2021 Annual Report to Shareholders for recently adopted accounting pronouncements. Additional information on new and pending Updates is provided in the following table.

The following ASUs were issued by the Financial Accounting Standards Board (FASB):

Summary of Guidance	Adoption and Potential Financial Statement Impact
ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	
• Replaces multiple existing impairment standards by establishing a single framework for financial assets to reflect management's estimate of current expected credit losses (CECL) over the entire remaining life of the financial assets. • Changes the present incurred loss impairment guidance for loans to an expected loss model. • Modifies the other-than-temporary impairment model for debt securities to require an allowance for credit impairment instead of a direct write-down, which allows for reversal of credit impairments in future periods based on improvements in credit quality. • Eliminates existing guidance for purchased credit impaired (PCI) loans, and requires recognition of an allowance for expected credit losses on these financial assets. • Requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption. • Effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application is permitted.	• Implementation efforts began with establishing a cross-discipline governance structure utilizing common guidance developed across the Farm Credit System. The implementation includes identification of key interpretive issues, scoping of financial instruments, and assessing existing credit loss forecasting models and processes against the new guidance. • The new guidance is expected to result in a change in allowance for credit losses due to several factors, including: 1. The allowance related to loans and commitments will most likely change because it will then cover credit losses over the full remaining expected life of the portfolio, and will consider expected future changes in macroeconomic conditions, 2. An allowance will be established for estimated credit losses on any debt securities, 3. The nonaccretable difference on any PCI loans will be recognized as an allowance, offset by an increase in the carrying value of the related loans. • The extent of allowance change is under evaluation, but will depend upon the nature and characteristics of the financial instrument portfolios, and the macroeconomic conditions and forecasts, at the adoption date. • The guidance is expected to be adopted January 1, 2023.
ASU 2022-02 Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures	
• This Update responds to feedback received during the Post Implementation Review process conducted by the FASB related to Topic 326. Troubled Debt Restructurings (TDRs) by Creditors • The amendments eliminate the accounting guidance for TDRs by creditors in Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance in paragraphs 310-20-35-9 through 35-11 to determine whether a modification results in a new loan or a continuation of an existing loan. Vintage Disclosures—Gross Writeoffs • For public business entities, the amendments in this Update require that an entity disclose current period gross writeoffs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost.	• These amendments will be implemented in conjunction with the adoption of ASU 2016-13.

Note: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P. O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request, free of charge, by calling (561)-965-9001, or writing Laura Craker, CFO, Farm Credit of Florida, ACA, P. O. Box 213069, West Palm Beach, FL 33421, or accessing the website, *www.farmcreditfl.com*. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Farm Credit of Florida, ACA

Consolidated Balance Sheets

(dollars in thousands)	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Assets		
Cash	**$ 19**	$ 16
Investments in debt securities:		
Held to maturity (fair value of $2,392 and $2,769, respectively)	**2,179**	2,286
Loans	**1,406,412**	1,401,695
Allowance for loan losses	**(8,881)**	(9,078)
Net loans	**1,397,531**	1,392,617
Loans held for sale	**1,062**	893
Accrued interest receivable	**7,318**	6,146
Equity investments in other Farm Credit institutions	**13,825**	13,775
Premises and equipment, net	**8,007**	8,226
Accounts receivable	**4,839**	23,727
Other assets	**1,245**	915
Total assets	**$ 1,436,025**	$ 1,448,601
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 1,086,112**	$ 1,094,413
Accrued interest payable	**2,438**	2,064
Patronage refunds payable	**254**	17,809
Accounts payable	**3,729**	4,752
Advanced conditional payments	**3,565**	2,837
Other liabilities	**5,888**	6,919
Total liabilities	**1,101,986**	1,128,794
Commitments and contingencies (Note 8)		
Members' Equity		
Protected borrower stock	**445**	445
Capital stock and participation certificates	**2,506**	2,968
Additional paid-in-capital	**7,873**	7,873
Retained earnings		
Allocated	**136,542**	135,975
Unallocated	**186,905**	172,785
Accumulated other comprehensive income (loss)	**(232)**	(239)
Total members' equity	**334,039**	319,807
Total liabilities and members' equity	**$ 1,436,025**	$ 1,448,601

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

Farm Credit of Florida, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Interest Income				
Loans	**$ 17,208**	$ 14,963	**$ 32,487**	$ 29,890
Investments	**26**	28	**53**	58
Total interest income	**17,234**	14,991	**32,540**	29,948
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	**6,974**	6,249	**13,075**	12,234
Net interest income	**10,260**	8,742	**19,465**	17,714
Provision for (reversal of) allowance for loan losses	**(19)**	(726)	**(264)**	(1,380)
Net interest income after provision for (reversal of) allowance for loan losses	**10,279**	9,468	**19,729**	19,094
Noninterest Income				
Loan fees	**352**	339	**713**	696
Fees for financially related services	**1,020**	920	**1,958**	1,826
Lease income	**11**	11	**23**	23
Patronage refunds from other Farm Credit institutions	**2,324**	2,377	**4,775**	4,609
Gains (losses) on sales of rural home loans, net	**112**	206	**297**	367
Gains (losses) on sales of premises and equipment, net	**1**	25	**2**	40
Gains (losses) on other transactions	**(139)**	(51)	**(137)**	31
Other noninterest income	**99**	90	**198**	181
Total noninterest income	**3,780**	3,917	**7,829**	7,773
Noninterest Expense				
Salaries and employee benefits	**4,415**	4,527	**8,899**	9,260
Occupancy and equipment	**316**	306	**611**	630
Insurance Fund premiums	**640**	418	**1,059**	822
Purchased services	**172**	216	**370**	415
Data processing	**37**	37	**65**	95
Other operating expenses	**979**	684	**1,865**	1,413
(Gains) losses on other property owned, net	**—**	(3)	**—**	(27)
Total noninterest expense	**6,559**	6,185	**12,869**	12,608
Net income	**$ 7,500**	$ 7,200	**$ 14,689**	$ 14,259
Other comprehensive income net of tax				
Employee benefit plans adjustments	**4**	3	**7**	7
Comprehensive income	**$ 7,504**	$ 7,203	**$ 14,696**	$ 14,266

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

Farm Credit of Florida, ACA

Consolidated Statements of Changes in Members’ Equity

(unaudited)

(dollars in thousands)	Protected Borrower Stock	Capital Stock and Participation Certificates	Additional Paid-in-Capital	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2020	$ 445	$ 2,803	$ 7,873	$ 127,974	$ 158,384	$ (261)	$ 297,218
Comprehensive income					14,259	7	14,266
Capital stock/participation certificates issued/(retired), net		(70)					(70)
Patronage distribution adjustment				1,209	(1,212)		(3)
Balance at June 30, 2021	$ 445	$ 2,733	$ 7,873	$ 129,183	$ 171,431	$ (254)	$ 311,411
Balance at December 31, 2021	**$ 445**	**$ 2,968**	**$ 7,873**	**$ 135,975**	**$ 172,785**	**$ (239)**	**$ 319,807**
Comprehensive income					**14,689**	**7**	**14,696**
Capital stock/participation certificates issued/(retired), net		**(462)**					**(462)**
Patronage distribution adjustment				**567**	**(569)**		**(2)**
Balance at June 30, 2022	**$ 445**	**$ 2,506**	**$ 7,873**	**$ 136,542**	**$ 186,905**	**$ (232)**	**$ 334,039**

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

Farm Credit of Florida, ACA

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)

(unaudited)

Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

Organization

The accompanying financial statements include the accounts of Farm Credit of Florida, ACA and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (collectively, the Association). A description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2021, are contained in the 2021 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

Significant Accounting Policies

The Association's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition. Management has made significant estimates in several areas, including loans and allowance for loan losses (Note 2, *Loans and Allowance for Loan Losses*), investment securities and other-than-temporary impairment (Note 3, *Investments*), and financial instruments (Note 6, *Fair Value Measurement*). Actual results could differ from those estimates.

For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

Accounting Standards Effective During the Period

There were no changes in the accounting principles applied from the latest Annual Report.

Note 2 — Loans and Allowance for Loan Losses

The Association maintains an allowance for loan losses at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of the report date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan charge-offs and allowance reversals. A review of individual loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Association has been identified. See Note 3, *Loans and Allowance for Loan Losses*, from the latest Annual Report for further discussion.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the board of directors.

A summary of loans outstanding at period end follows:

	June 30, 2022	December 31, 2021
Real estate mortgage	$ 816,427	$ 812,859
Production and intermediate-term	215,324	240,827
Loans to cooperatives	38,316	35,781
Processing and marketing	167,919	153,768
Farm-related business	38,458	38,326
Communication	68,507	62,935
Power and water/waste disposal	24,529	22,916
Rural residential real estate	20,780	18,010
International	11,016	11,011
Other (including Mission Related)	5,136	5,262
Total loans	$ 1,406,412	$ 1,401,695

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration (FCA) regulations. The following tables present the principal balance of participation loans at periods ended:

June 30, 2022	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 34,446	$ 83,723	$ 475	$ –	$ –	$ –	$ 34,921	$ 83,723
Production and intermediate-term	47,329	18,375	1,918	–	126	–	49,373	18,375
Loans to cooperatives	38,351	–	–	–	–	–	38,351	–
Processing and marketing	145,796	33,700	–	72,413	–	–	145,796	106,113
Farm-related business	–	29,743	2,414	590	841	–	3,255	30,333
Communication	68,572	–	–	–	–	–	68,572	–
Power and water/waste disposal	24,610	–	–	–	–	–	24,610	–
International	11,035	–	–	–	–	–	11,035	–
Other (including Mission Related)	–	–	–	–	2,922	–	2,922	–
Total	$ 370,139	$ 165,541	$ 4,807	$ 73,003	$ 3,889	$ –	$ 378,835	$ 238,544

December 31, 2021	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 33,465	$ 90,370	$ 541	$ –	$ –	$ –	$ 34,006	$ 90,370
Production and intermediate-term	51,093	14,404	1,505	252	1,244	–	53,842	14,656
Loans to cooperatives	31,443	–	4,417	–	–	–	35,860	–
Processing and marketing	127,018	54,206	2,541	85,966	–	–	129,559	140,172
Farm-related business	–	21,560	2,259	628	951	–	3,210	22,188
Communication	62,994	–	–	–	–	–	62,994	–
Power and water/waste disposal	22,985	–	–	–	–	–	22,985	–
International	11,036	–	–	–	–	–	11,036	–
Other (including Mission Related)	–	–	–	–	3,043	–	3,043	–
Total	$ 340,034	$ 180,540	$ 11,263	$ 86,846	$ 5,238	$ –	$ 356,535	$ 267,386

The recorded investment in a receivable is the face amount increased or decreased by applicable accrued interest, unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

The following table shows the recorded investment of loans, classified under the FCA Uniform Loan Classification System, as a percentage of the recorded investment of total loans by loan type as of:

	June 30, 2022	December 31, 2021
Real estate mortgage:		
Acceptable	97.15%	95.84%
OAEM	2.24	2.37
Substandard/doubtful/loss	0.61	1.79
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	88.80%	88.38%
OAEM	3.24	7.44
Substandard/doubtful/loss	7.96	4.18
	100.00%	100.00%
Loans to cooperatives:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Farm-related business:		
Acceptable	90.21%	88.54%
OAEM	8.91	1.81
Substandard/doubtful/loss	0.88	9.65
	100.00%	100.00%

	June 30, 2022	December 31, 2021
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Power and water/waste disposal:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	99.87%	99.39%
OAEM	0.13	0.17
Substandard/doubtful/loss	–	0.44
	100.00%	100.00%
International:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Other (including Mission Related)		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Total loans:		
Acceptable	96.36%	95.27%
OAEM	2.04	2.71
Substandard/doubtful/loss	1.60	2.02
	100.00%	100.00%

The following tables provide an aging analysis of the recorded investment of past due loans as of:

	June 30, 2022				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 172	$ 635	$ 807	$ 820,766	$ 821,573
Production and intermediate-term	281	–	281	216,159	216,440
Loans to cooperatives	–	–	–	38,371	38,371
Processing and marketing	10,607	–	10,607	157,913	168,520
Farm-related business	–	–	–	38,584	38,584
Communication	–	–	–	68,514	68,514
Power and water/waste disposal	–	–	–	24,570	24,570
Rural residential real estate	78	–	78	20,795	20,873
International	–	–	–	11,062	11,062
Other (including Mission Related)	–	–	–	5,204	5,204
Total	$ 11,138	$ 635	$ 11,773	$ 1,401,938	$ 1,413,711

	December 31, 2021				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 3,127	$ 1,158	$ 4,285	$ 812,852	$ 817,137
Production and intermediate-term	48	34	82	241,654	241,736
Loans to cooperatives	–	–	–	35,803	35,803
Processing and marketing	–	–	–	154,375	154,375
Farm-related business	24	–	24	38,447	38,471
Communication	–	–	–	62,948	62,948
Power and water/waste disposal	–	–	–	22,926	22,926
Rural residential real estate	35	–	35	18,022	18,057
International	–	–	–	11,039	11,039
Other (including Mission Related)	–	–	–	5,330	5,330
Total	$ 3,234	$ 1,192	$ 4,426	$ 1,403,396	$ 1,407,822

Nonperforming assets (including related accrued interest as applicable) and related credit quality statistics at period end were as follows:

	June 30, 2022	December 31, 2021
Nonaccrual loans:		
Real estate mortgage	$ 1,118	$ 2,476
Production and intermediate-term	1,321	1,852
Farm-related business	242	242
Rural residential real estate	1	79
Total	$ 2,682	$ 4,649
Accruing restructured loans:		
Real estate mortgage	$ 283	$ 533
Production and intermediate-term	–	80
Total	$ 283	$ 613
Accruing loans 90 days or more past due:		
Total	$ –	$ –
Total nonperforming loans	$ 2,965	$ 5,262
Other property owned	–	–
Total nonperforming assets	$ 2,965	$ 5,262
Nonaccrual loans as a percentage of total loans	0.19%	0.33%
Nonperforming assets as a percentage of total loans and other property owned	0.21%	0.38%
Nonperforming assets as a percentage of capital	0.89%	1.65%

The following table presents information related to the recorded investment of impaired loans at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	June 30, 2022	December 31, 2021
Impaired nonaccrual loans:		
Current as to principal and interest	$ 2,046	$ 3,026
Past due	636	1,623
Total	$ 2,682	$ 4,649
Impaired accrual loans:		
Restructured	$ 283	$ 613
90 days or more past due	–	–
Total	$ 283	$ 613
Total impaired loans	$ 2,965	$ 5,262
Additional commitments to lend	$ 5	$ 95

The following tables present additional impaired loan information at period end. Unpaid principal balance represents the contractual principal balance of the loan.

	June 30, 2022			Three Months Ended June 30, 2022		Six Months Ended June 30, 2022	
Impaired loans:	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans	Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:							
Real estate mortgage	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Production and intermediate-term	–	–	–	–	–	–	–
Farm-related business	–	–	–	–	–	–	–
Rural residential real estate	–	–	–	–	–	–	–
Total	$ –	$ –	$ –	$ –	$ –	$ –	$ –
With no related allowance for credit losses:							
Real estate mortgage	$ 1,401	$ 3,273	$ –	$ 2,406	$ 597	$ 2,672	$ 816
Production and intermediate-term	1,321	2,010	–	2,268	562	2,518	769
Farm-related business	242	245	–	415	103	461	141
Rural residential real estate	1	108	–	2	–	2	–
Total	$ 2,965	$ 5,636	$ –	$ 5,091	$ 1,262	$ 5,653	$ 1,726
Total impaired loans:							
Real estate mortgage	$ 1,401	$ 3,273	$ –	$ 2,406	$ 597	$ 2,672	$ 816
Production and intermediate-term	1,321	2,010	–	2,268	562	2,518	769
Farm-related business	242	245	–	415	103	461	141
Rural residential real estate	1	108	–	2	–	2	–
Total	$ 2,965	$ 5,636	$ –	$ 5,091	$ 1,262	$ 5,653	$ 1,726

Impaired loans:	December 31, 2021 Recorded Investment	December 31, 2021 Unpaid Principal Balance	December 31, 2021 Related Allowance	Year Ended December 31, 2021 Average Impaired Loans	Year Ended December 31, 2021 Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	$ 1,116	$ 1,275	$ 92	$ 1,683	$ 367
Production and intermediate-term	–	–	–	–	–
Farm-related business	–	–	–	–	–
Rural residential real estate	–	–	–	–	–
Total	$ 1,116	$ 1,275	$ 92	$ 1,683	$ 367
With no related allowance for credit losses:					
Real estate mortgage	$ 1,893	$ 4,576	$ –	$ 2,854	$ 621
Production and intermediate-term	1,932	2,726	–	2,915	635
Farm-related business	242	252	–	365	79
Rural residential real estate	79	270	–	120	26
Total	$ 4,146	$ 7,824	$ –	$ 6,254	$ 1,361
Total impaired loans:					
Real estate mortgage	$ 3,009	$ 5,851	$ 92	$ 4,537	$ 988
Production and intermediate-term	1,932	2,726	–	2,915	635
Farm-related business	242	252	–	365	79
Rural residential real estate	79	270	–	120	26
Total	$ 5,262	$ 9,099	$ 92	$ 7,937	$ 1,728

A summary of changes in the allowance for loan losses and recorded investment in loans for each reporting period follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Power and Water/Waste Disposal	Rural Residential Real Estate	International	Other (including Mission Related)	Total
Activity related to the allowance for credit losses:									
Balance at March 31, 2022	$ 2,880	$ 4,010	$ 1,638	$ 174	$ 80	$ 77	$ 9	$ 1	$ 8,869
Charge-offs	–	(37)	–	–	–	–	–	–	(37)
Recoveries	29	10	–	–	–	29	–	–	68
Provision for loan losses	(51)	42	(26)	7	32	(23)	–	–	(19)
Balance at June 30, 2022	$ 2,858	$ 4,025	$ 1,612	$ 181	$ 112	$ 83	$ 9	$ 1	$ 8,881
Balance at December 31, 2021	$ 3,166	$ 4,038	$ 1,541	$ 171	$ 78	$ 74	$ 9	$ 1	$ 9,078
Charge-offs	–	(60)	–	–	–	–	–	–	(60)
Recoveries	68	30	–	–	–	29	–	–	127
Provision for loan losses	(376)	17	71	10	34	(20)	–	–	(264)
Balance at June 30, 2022	$ 2,858	$ 4,025	$ 1,612	$ 181	$ 112	$ 83	$ 9	$ 1	$ 8,881
Balance at March 31, 2021	$ 4,151	$ 3,500	$ 1,540	$ 179	$ 133	$ 76	$ 12	$ 1	$ 9,592
Charge-offs	–	–	–	–	–	–	–	–	–
Recoveries	161	169	–	–	–	–	–	–	330
Provision for loan losses	(238)	(406)	(84)	18	(21)	4	1	–	(726)
Balance at June 30, 2021	$ 4,074	$ 3,263	$ 1,456	$ 197	$ 112	$ 80	$ 13	$ 1	$ 9,196
Balance at December 31, 2020	$ 4,414	$ 3,682	$ 1,562	$ 155	$ 145	$ 74	$ 10	$ 1	$ 10,043
Charge-offs	–	(16)	–	–	–	–	–	–	(16)
Recoveries	354	194	–	–	–	1	–	–	549
Provision for loan losses	(694)	(597)	(106)	42	(33)	5	3	–	(1,380)
Balance at June 30, 2021	$ 4,074	$ 3,263	$ 1,456	$ 197	$ 112	$ 80	$ 13	$ 1	$ 9,196
Allowance on loans evaluated for impairment:									
Individually	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Collectively	2,858	4,025	1,612	181	112	83	9	1	8,881
PCI**	–	–	–	–	–	–	–	–	–
Balance at June 30, 2022	$ 2,858	$ 4,025	$ 1,612	$ 181	$ 112	$ 83	$ 9	$ 1	$ 8,881
Individually	$ 92	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 92
Collectively	3,074	4,038	1,541	171	78	74	9	1	8,986
PCI**	–	–	–	–	–	–	–	–	–
Balance at December 31, 2021	$ 3,166	$ 4,038	$ 1,541	$ 171	$ 78	$ 74	$ 9	$ 1	$ 9,078
Recorded investment in loans evaluated for impairment:									
Individually	$ 1,211	$ 1,321	$ 242	$ –	$ –	$ 1	$ –	$ –	$ 2,775
Collectively	819,982	215,119	245,233	68,514	24,570	20,872	11,062	5,204	1,410,556
PCI**	380	–	–	–	–	–	–	–	380
Balance at June 30, 2022	$ 821,573	$ 216,440	$ 245,475	$ 68,514	$ 24,570	$ 20,873	$ 11,062	$ 5,204	$ 1,413,711
Individually	$ 2,784	$ 1,932	$ 242	$ –	$ –	$ 79	$ –	$ –	$ 5,037
Collectively	813,907	239,804	228,407	62,948	22,926	17,978	11,039	5,330	1,402,339
PCI**	446	–	–	–	–	–	–	–	446
Balance at December 31, 2021	$ 817,137	$ 241,736	$ 228,649	$ 62,948	$ 22,926	$ 18,057	$ 11,039	$ 5,330	$ 1,407,822

**Includes the loan types: Loans to cooperatives, Processing and marketing, and Farm-related business.*
***Purchased credit impaired loans.*

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. There were no new TDRs that occurred during the three and six month periods ended June 30, 2022 and June 30, 2021.

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

The following table presents outstanding recorded investment for TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

	Three Months Ended June 30,		Six Months Ended June 30,	
Defaulted troubled debt restructurings:	**2022**	**2021**	**2022**	**2021**
Real estate mortgage	$ –	$ 1,584	$ –	$ 3,187
Total	$ –	$ 1,584	$ –	$ 3,187

The following table provides information at period end on outstanding loans restructured in troubled debt restructurings. These loans are included as impaired loans in the impaired loan table:

	Total TDRs		Nonaccrual TDRs	
	June 30, 2022	**December 31, 2021**	**June 30, 2022**	**December 31, 2021**
Real estate mortgage	$ 842	$ 1,671	$ 559	$ 1,138
Production and intermediate-term	681	982	681	902
Farm-related business	242	242	242	242
Rural residential real estate	1	1	1	1
Total loans	$ 1,766	$ 2,896	$ 1,483	$ 2,283
Additional commitments to lend	$ –	$ –		

Purchased Credit Impaired (PCI) Loans

For further discussion of the Association's accounting for PCI loans, see Note 2, *Summary of Significant Accounting Policies*, from the Association's most recent Annual Report.

The carrying amounts of loans acquired in a 2011 business combination included in the balance sheet amounts of loans receivable at period end were as follows:

	June 30, 2022
Real estate mortgage	$ 380
Total loans	$ 380

There was no allowance for loan losses related to these loans at June 30, 2022 or December 31, 2021. During the three and six months ended June 30, 2022, provision for loan losses on these loans was an expense reversal of $11 and $16, respectively, compared with an expense reversal of $5 and $55 for the same periods in 2021. See above for a summary of changes in the total allowance for loan losses for the three and six month periods ended June 30, 2022. There were no loans acquired during 2022 or 2021 for which it was probable at acquisition that all contractually required payments would not be collected.

Certain of the loans acquired by the Association in the 2011 business combination that were within the scope of PCI loan guidance are accounted for using a cash basis method of income recognition because the Association cannot reasonably estimate cash flows expected to be collected. Substantially all of the loans acquired were real estate collateral dependent loans. The real estate market in Florida was extremely unstable, making the estimation of the amount and timing of a sale of loan collateral in essentially the same condition as received upon foreclosure indeterminate. As such, the Association did not have the information necessary to reasonably estimate cash flows expected to be collected to compute a yield.

Note 3 — Investments

Investments in Debt Securities

The Association's investments consist of asset-backed securities (ABSs). These ABSs are issued through the Small Business Administration and are guaranteed by the full faith and credit of the United States government. They are held for managing short-term surplus funds and reducing interest rate risk. These securities meet the applicable FCA regulatory guidelines related to government agency guaranteed investments.

The Association's investments also consist of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment (MRI) program approved by the FCA. In its Conditions of Approval for the program, the FCA generally considers a RAB ineligible if its investment rating, based on the internal 14-point risk rating scale used to also grade loans, falls below 9 and requires System institutions to provide notification to the FCA when a security becomes ineligible. Any other bonds purchased under the MRI program, approved on a case-by-case basis by FCA,

may have different eligibility requirements. At June 30, 2022, the Association held no RABs whose credit quality had deteriorated beyond the program limits.

A summary of the amortized cost and fair value of investment securities held-to-maturity follows:

June 30, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 1,517	$ 231	$ –	$ 1,748	5.77%
ABSs	662	5	(23)	644	0.93
Total	$ 2,179	$ 236	$ (23)	$ 2,392	4.30%

December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 1,514	$ 503	$ –	$ 2,017	5.77%
ABSs	772	6	(26)	752	0.58
Total	$ 2,286	$ 509	$ (26)	$ 2,769	4.02%

A summary of the contractual maturity, amortized cost and estimated fair value of investment securities held-to-maturity follows:

June 30, 2022	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ –	$ –	–%
After one year through five years	136	128	-1.21
After five years through ten years	159	151	0.23
After ten years	1,884	2,113	5.04
Total	$ 2,179	$ 2,392	4.30%

A portion of these investments has contractual maturities in excess of ten years. However, expected maturities for these types of securities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

An investment is considered impaired if its fair value is less than its cost. The following tables show the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category at each reporting period. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified.

June 30, 2022	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABSs	$ –	$ –	$ 494	$ (23)

December 31, 2021	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABSs	$ –	$ –	$ 595	$ (26)

The recording of an impairment is predicated on: (1) whether or not management intends to sell the security, (2) whether it is more likely than not that management would be required to sell the security before recovering its costs, and (3) whether management expects to recover the security's entire amortized cost basis (even if there is no intention to sell). If the Association intends to sell the security or it is more likely than not that it would be required to sell the security, the impairment loss equals the full difference between amortized cost and fair value of the security. When the Association does not intend to sell securities in an unrealized loss position and it is not more likely than not that it would be required to sell the securities, other-than-temporary impairment loss is separated into credit loss and non-credit loss. Credit loss is defined as the shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis.

The Association performs periodic credit reviews, including other-than-temporary impairment analyses, on its investment securities portfolio. The objective is to quantify future possible loss of principal or interest due on securities in the portfolio.

The Association has not recognized any credit losses as any impairments were deemed temporary and resulted from non-credit related factors. The Association has the ability and intent to hold these temporarily impaired investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities, especially after considering credit enhancements.

A substantial portion of these investments were in U. S. government agency securities and the Association expects these securities would not be settled at a price less than their amortized cost. All securities continue to perform at period end.

Equity Investments in Other Farm Credit System Institutions

Equity investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA. These investments are carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Associations are required to maintain ownership in AgFirst (AgFirst or the Bank) in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owned 4.67 percent of the issued stock of the Bank as of June 30, 2022 net of any reciprocal investment. As of that date, the Bank's assets totaled $40.4 billion and shareholders' equity totaled $1.8 billion. The Bank's earnings were $216 million for the first six months of 2022. In addition, the Association held investments of $1,836 related to other Farm Credit institutions.

Note 4 — Debt

Notes Payable to AgFirst Farm Credit Bank

The Association's indebtedness to the Bank represents borrowings by the Association to fund its earning assets. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and the contractual terms of the revolving line of credit are contained in the General Financing Agreement (GFA). The GFA also defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants, among others.

Note 5 — Members' Equity

Accumulated Other Comprehensive Income (AOCI)

Changes in Accumulated Other Comprehensive Income by Component *(a)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Employee Benefit Plans:				
Balance at beginning of period	$ (236)	$ (257)	$ (239)	$ (261)
Other comprehensive income before reclassifications	–	–	–	–
Amounts reclassified from AOCI	4	3	7	7
Net current period other comprehensive income	4	3	7	7
Balance at end of period	$ (232)	$ (254)	$ (232)	$ (254)

Reclassifications Out of Accumulated Other Comprehensive Income *(b)*

	Three Months Ended June 30,		Six Months Ended June 30,		
	2022	2021	2022	2021	Income Statement Line Item
Defined Benefit Pension Plans:					
Periodic pension costs	$ (4)	$ (3)	$ (7)	$ (7)	See Note 7.
Net amounts reclassified	$ (4)	$ (3)	$ (7)	$ (7)	

(a) Amounts in parentheses indicate debits to AOCI.
(b) Amounts in parentheses indicate debits to profit/loss.

Note 6 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

The classifications within the fair value hierarchy are as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

There were no Level 3 assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. Other Financial Instruments are not measured at fair value in the statement of financial position, but their fair values are estimated as of each period end date. The following tables summarize the carrying amounts of these assets and liabilities at period end, and their related fair values.

	June 30, 2022				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Recurring Measurements					
Assets:					
Assets held in trust funds	$ 789	$ 789	$ –	$ –	$ 789
Recurring Assets	$ 789	$ 789	$ –	$ –	$ 789
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	$ –	$ –	$ –	$ –	$ –
Other property owned	–	–	–	–	–
Nonrecurring Assets	$ –	$ –	$ –	$ –	$ –
Other Financial Instruments					
Assets:					
Cash	$ 19	$ 19	$ –	$ –	$ 19
RABs	1,517	–	–	1,748	1,748
ABSs	662	–	644	–	644
Loans	1,398,593	–	–	1,348,045	1,348,045
Other Financial Assets	$ 1,400,791	$ 19	$ 644	$ 1,349,793	$ 1,350,456
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 1,086,112	$ –	$ –	$ 1,049,370	$ 1,049,370
Other Financial Liabilities	$ 1,086,112	$ –	$ –	$ 1,049,370	$ 1,049,370

	December 31, 2021				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Recurring Measurements					
Assets:					
Assets held in trust funds	$ 652	$ 652	$ –	$ –	$ 652
Recurring Assets	$ 652	$ 652	$ –	$ –	$ 652
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 1,024	$ –	$ –	$ 1,024	$ 1,024
Other property owned	–	–	–	–	–
Nonrecurring Assets	$ 1,024	$ –	$ –	$ 1,024	$ 1,024
Other Financial Instruments					
Assets:					
Cash	$ 16	$ 16	$ –	$ –	$ 16
RABs	1,514	–	–	2,017	2,017
ABSs	772	–	752	–	752
Loans	1,392,486	–	–	1,391,736	1,391,736
Other Financial Assets	$ 1,394,788	$ 16	$ 752	$ 1,393,753	$ 1,394,521
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 1,094,413	$ –	$ –	$ 1,092,906	$ 1,092,906
Other Financial Liabilities	$ 1,094,413	$ –	$ –	$ 1,092,906	$ 1,092,906

Uncertainty in Measurements of Fair Value

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated below. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in

a change to another unobservable input (that is, changes in certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

Investments in Debt Securities
The fair values of predominantly all Level 3 investments in debt securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The models used to determine fair value for these instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs generally include discount rate components including risk premiums, prepayment estimates, default estimates and loss severities. These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if the prepayment input were to increase (decrease).

Generally, a change in the assumption used for defaults is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayments. Unobservable inputs for loss severities do not normally increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

Inputs to Valuation Techniques
Management determines the Association's valuation policies and procedures. The Bank performs the majority of the Association's valuations, and its valuation processes are calibrated annually by an independent consultant. The fair value measurements are analyzed on a quarterly basis. For other valuations, documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing that is available.

Quoted market prices are generally not available for the instruments presented below. Accordingly fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements
With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and take into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
RABs	Discounted cash flow	Prepayment rates Risk-adjusted discount rate
ABSs	Vendor priced	**
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

*** The inputs used to estimate fair value for assets and liabilities that are obtained from third party vendors are not included in the table as the specific inputs applied are not provided by the vendor.*

Note 7 — Employee Benefit Plans

The following is a table of retirement and other postretirement benefit expenses for the Association:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Pension	$ 355	$ 631	$ 620	$ 1,282
401(k)	245	240	512	499
Other postretirement benefits	137	108	243	217
Total	$ 737	$ 979	$ 1,375	$ 1,998

Expenses in the above table are computed using allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the respective Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2022.

Further details regarding employee benefit plans are contained in the 2021 Annual Report to Shareholders.

Note 8 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available.

While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is remote that the Association will incur a loss or the loss is not estimable, no liability has been recorded for claims that may be pending.

Note 9 — Subsequent Events

The Association evaluated subsequent events and determined there were none requiring disclosure through August 8, 2022, which was the date the financial statements were issued.