AG NEW MEXICO, FARM CREDIT SERVICES, ACA

2022
Quarterly Report
Second Quarter

For the Quarter Ended June 30, 2022

REPORT OF MANAGEMENT

The undersigned certify that we have reviewed this report, that it has been prepared 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.

Brett Valentine, Chief Executive Officer

August 9, 2022

Linda Brown, Chairman, Board of Directors

August 9, 2022

Will Fisher, Chief Financial Officer

August 9, 2022

Second Quarter 2022 Financial Report

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AG NEW MEXICO, FARM CREDIT SERVICES, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Ag New Mexico, Farm Credit Services, ACA (Agricultural Credit Association), referred to as the Association, for the quarter ended June 30, 2022. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2021 Annual Report to Stockholders.

The Association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the Association's audit committee.

Significant Events:

In December 2021, the board of directors declared a patronage distribution in the amount of $700,000 which was distributed to the Association's borrowers in the second quarter of 2022. The amount declared was based on the Association's 2021 operating results.

The United States continues to operate under a presidentially declared emergency since March 13, 2020, due to the Coronavirus Disease 2019 (also referred to as COVID-19). The Association continues during these unprecedented times to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit. The Association is closely monitoring its loan portfolio overall and is particularly focused on sectors that may be pressured by COVID-19 and its related economic impacts, such as food processing, dairy, and beef cattle. The Association has maintained its strong portfolio monitoring and servicing practices and, if appropriate, will evaluate its allowance for loan losses as changes in outlook occur. Capital levels remained adequate to support any adversity or continuing loan demand.

The Consumer Price Index for all urban consumers increased by 9.1 percent for the 12-month period ending June 2022, reflecting the largest 12-month increase since 1981. The largest contributors to the overall increase were rising prices for gasoline, shelter, and food. The Federal Reserve began raising the target federal funds rate by 25 basis points on March 16, 2022, in an attempt to mitigate inflation. According to a July 27 press release by the Federal Reserve, the target range for the federal funds rate is between 2.25 percent to 2.50 percent. Market economists are presently forecasting a year-end 2022 target range between 3.25 percent to 3.50 percent.

In its July 28, 2022 release, the U.S. Bureau of Economic Analysis estimated that national real GDP decreased at an annual rate of 0.9 percent in the second quarter of 2022. In the first quarter, real GDP decreased 1.6 percent. The decrease in real GDP reflected decreases in private inventory investment, residential fixed investment, federal government spending, state and local government spending, partly offset by increases in exports and personal consumption expenditures (PCE).

During the second quarter of 2022, the New Mexico agriculture economy remained sound. Moisture and precipitation varied across the state, with most of state considered to be in a drought. The continued dry conditions represent a greater risk of wildfires. Thus far, through July 2022, over 825,000 acres have burned throughout the state of New Mexico, four times the yearly average for the state.

Loan Portfolio:

Total loans outstanding at June 30, 2022, including nonaccrual loans and sales contracts, were $364,289,523 compared to $328,607,772 at December 31, 2021, reflecting an increase of 10.9 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.5 percent at June 30, 2022, compared to 0.6 percent at December 31, 2021.

The Association recorded $3,100 in recoveries and did not record any charge-offs for the quarter ended June 30, 2022, and did not record any recoveries or charge-offs for the same period in 2021. The Association's allowance for loan losses was 0.3 percent of total loans outstanding as of June 30, 2022, and December 31, 2021, respectively.

Risk Exposure:

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans, and other property owned. The following table illustrates the Association's components and trends of high-risk assets.

	June 30, 2022		December 31, 2021	
	Amount	**%**	Amount	%
Nonaccrual	**$ 1,951,611**	**88.9%**	$ 1,975,861	89.2%
90 days past due and still accruing interest	**242,285**	**11.0%**	236,366	10.7%
Other property owned, net	**2,775**	**0.1%**	2,775	0.1%
Total	**$ 2,196,671**	**100.0%**	$ 2,215,002	100.0%

Results of Operations:

The Association had net income of $1,400,201 and $2,545,128 for the three and six months ended June 30, 2022, as compared to net income of $1,058,268 and $2,179,390 for the same period in 2021, reflecting an increase of 32.3 percent and 16.8 percent respectively. Net interest income was $1,978,519 and $3,840,295 for the three and six months ended June 30, 2022, compared to $1,850,030 and $3,564,896 for the same period in 2021.

	Six Months Ended			
	June 30, 2022		June 30, 2021	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 335,642,435**	**$ 6,434,122**	$ 310,149,332	$ 5,765,420
Interest-bearing liabilities	**298,528,282**	**2,593,827**	273,950,960	2,200,524
Impact of capital	**$ 37,114,153**		$ 36,198,372	
Net interest income		**$ 3,840,295**		$ 3,564,896

	2022	2021
	Average Yield	Average Yield
Yield on loans	**3.87%**	3.75%
Cost of interest-bearing liabilities	**1.75%**	1.62%
Interest rate spread	**2.12%**	2.13%
Net interest income as a percentage of average earning assets	**2.31%**	2.32%

	Six months ended: June 30, 2022 vs. June 30, 2021		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 473,890**	**$ 194,812**	**$ 668,702**
Interest expense	**197,416**	**195,887**	**393,303**
Net interest income	**$ 276,474**	**$ (1,075)**	**$ 275,399**

Interest income for the three and six months ended June 30, 2022, increased by $437,191 and $668,702, or 14.6 percent and 11.6 percent respectively, from the same period of 2021, primarily due to increases in yields on earning assets and an increase in average loan volume. Interest expense for the three and six months ended June 30, 2022, increased by $308,702 and $393,303, or 27.0 percent and 17.9 percent, from the same period of 2021 due to an increase in interest rates and an increase in average debt volume. Average loan volume for the second quarter of 2022 was $335,642,435, compared to $310,149,332 in the second quarter of 2021. The average net interest rate spread on the loan portfolio for the second quarter of 2022 was 2.12 percent, compared to 2.13 percent in the second quarter of 2021.

The Association's return on average assets for the six months ended June 30, 2022, was 1.45 percent compared to 1.35 percent for the same period in 2021. The Association's return on average equity for the six months ended June 30, 2022, was 9.95 percent, compared to 9.16 percent for the same period in 2021.

Liquidity and Funding Sources:

The Association secures the majority of its lendable funds from the Farm Credit Bank of Texas (the Bank), which obtains its funds through the issuance of System-wide obligations and with lendable equity. The following schedule summarizes the Association's borrowings.

	June 30, 2022	December 31, 2021
Note payable to the Bank	**$ 317,914,253**	$ 288,391,354
Accrued interest on note payable	**538,467**	367,977
Total	**$ 318,452,720**	$ 288,759,331

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2023. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $317,914,253 as of June 30, 2022, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 2.09 percent at June 30, 2022. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2021, is due to the Association's increase in loan volume. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $40,557,898 at June 30, 2022. The maximum amount the Association may borrow from the Bank as of June 30, 2022, was $360,312,226 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2023, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

Capital Resources:

The Association's capital position increased by $2,565,700 at June 30, 2022, compared to December 31, 2021. The Association's debt as a percentage of members' equity was 6.20:1 as of June 30, 2022, compared to 5.83:1 as of December 31, 2021.

Farm Credit Administration regulations require the Association to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of June 30, 2022, the Association exceeded all regulatory capital requirements.

Significant Recent Accounting Pronouncements:

On December 8, 2021, the FCA issued an informational memorandum to provide additional guidance to Farm Credit System institutions on their transition away from LIBOR. The guidance encourages Farm Credit System institutions to stop entering into new contracts that reference LIBOR as soon as practicable and in any event no later than December 31, 2021. Entering into new LIBOR-referenced contracts after that date would present safety and soundness risk. The guidance also provides clarity on what the FCA considers a new LIBOR-indexed contract; whether purchases of legacy LIBOR-indexed loans and investments are deemed new contracts; limited exceptions for entering into new LIBOR contracts that reduce or hedge risk in legacy LIBOR contracts; and the due diligence and other procedures required before using other benchmark/reference rate alternatives to LIBOR (beyond SOFR), including credit-sensitive alternative rates.

On March 15, 2022, the U.S. government passed the Consolidated Appropriations Act of 2022, which includes federal legislation regarding the LIBOR transition. The legislation provides a statutory fallback mechanism to replace LIBOR with a benchmark rate, selected by the Federal Reserve Board and based on SOFR, for certain contracts that reference LIBOR and contain no or insufficient fallback provisions. The law also provides a safe harbor for parties who select the statutory benchmark replacement rate.

While our Association currently holds legacy LIBOR indexed loans in our portfolio, we have adopted a transition plan to reduce LIBOR exposures and stop the inflow of new LIBOR volume. We have analyzed potential risks associated with the LIBOR transition, including financial, operational, legal, tax, reputational and compliance risks. Since we engage in transactions involving financial instruments that reference LIBOR, these developments did not have a material impact on the Association and our borrowers. Management has documented and worked through the LIBOR transition plan with our funding bank and service provider to address the phase out of LIBOR rates, including any updates to processes and loan servicing technology.

In March 2022, the Financial Accounting Standards Board (FASB) issued an update entitled, "Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures." The guidance eliminates the accounting guidance for troubled debt restructurings (TDRs) by creditors while enhancing disclosure requirements for certain loan refinancings and restructurings when a borrower is experiencing financial difficulty. The creditor will have to apply the guidance to determine whether a modification results in a new loan or a continuation of an existing loan. In addition to the TDR guidance, the update requires public business entities to disclose current period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of the credit losses standard. These amendments will be effective for the Association at the time of adoption of the measurement of credit losses on financial instruments standard on January 1, 2023.

In January 2021, the FASB issued an update to Reference Rate Reform whereby certain derivative instruments may be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments do not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The Association adopted the guidance in the first quarter of 2021 and the impact was not material to the Association's financial condition or its results of operations.

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. With respect to hedge accounting, the guidance allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association applied the optional accounting expedients available under the guidance to debt and derivative contract modifications related to LIBOR transition in the fourth quarter of 2020. The impact of adoption was not material to the Association's financial condition or results of operations. In addition, the Association adopted the optional expedient as it relates to loans during the first quarter of 2021 and the impact of adoption was not material to the Association's financial condition or results of operations.

In December 2019, the FASB issued guidance entitled "Simplifying the Accounting for Income Taxes." This guidance eliminates certain intra period tax allocations, foreign deferred tax recognition and interim period tax calculations. In addition, the guidance simplifies disclosure regarding capital and franchise taxes, the allocation of goodwill in business combinations, subsidiary financial statements, and other disclosures. The new guidance is intended to eliminate and/or simplify certain aspects of income tax accounting that are complex or that require significant judgment in application or presentation. The guidance becomes effective for fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted, and the Association adopted this guidance on January 1, 2020. The adoption of this guidance did not impact the Association's financial condition or its results of operations.

In August 2018, the FASB issued guidance entitled "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Cost." The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this guidance. This guidance became effective for interim and annual periods beginning after December 15, 2019. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The adoption of this guidance did not materially impact the Association's financial condition or its results of operations.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans." The guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance became effective for fiscal years ending after December 15, 2020. The guidance is to be applied on a retrospective basis for all periods. The adoption of this guidance did not impact the Association's financial condition or its results of operations, but did impact the employee benefit plan disclosures.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement." The guidance modifies the requirements on fair value measurements by removing, modifying, or adding to the disclosures. This guidance became effective for interim and annual periods beginning after December 15, 2019. Early adoption was permitted, and an entity was permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The Association early adopted the removal and modified disclosures during the fourth quarter of 2018. The adoption of this guidance did not impact the Association's financial condition or its results of operations, but did impact the fair value measurements disclosures.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain institutions. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those entities qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on the Association's financial condition and its results of operations, with planned adoption for interim and reporting periods beginning after December 15, 2022.

Relationship With the Farm Credit Bank of Texas:

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2021 Annual Report of Ag New Mexico, Farm Credit Services, ACA more fully describe the Association's relationship with the Bank.

The annual and quarterly stockholder reports of the Bank are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9204. The annual and quarterly stockholder reports for the Bank are also available on its website at *www.farmcreditbank.com.*

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Ag New Mexico, Farm Credit Services, ACA, 4501 N. Prince St., Clovis, New Mexico, 88101 or calling (575) 762-3828. The annual and quarterly stockholder reports for the Association are also available on its website at *www.agnewmexico.com.* Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *will.fisher@agnewmexico.com*.

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED BALANCE SHEETS

		June 30, 2022 (unaudited)		December 31, 2021
ASSETS				
Loans	$	**364,289,523**	$	328,607,772
Less: allowance for loan losses		**967,091**		931,501
Net loans		**363,322,432**		327,676,271
Accrued interest receivable		**3,696,107**		3,663,740
Investment in and receivable from the Farm Credit Bank of Texas:				
Capital stock		**8,414,860**		8,783,705
Other		**1,740,321**		521,203
Deferred taxes, net		**410,088**		410,088
Other property owned, net		**2,775**		2,775
Premises and equipment, net		**634,030**		2,481,036
Other assets		**2,948,279**		521,950
Total assets	$	**381,168,892**	$	344,060,768
LIABILITIES				
Note payable to the Farm Credit Bank of Texas	$	**317,914,253**	$	288,391,354
Advance conditional payments		**6,043,239**		441,427
Accrued interest payable		**538,467**		367,977
Drafts outstanding		**28,484**		27,028
Patronage distributions payable		**-**		700,000
Other liabilities		**3,724,686**		3,778,919
Total liabilities		**328,249,129**		293,706,705
MEMBERS' EQUITY				
Capital stock and participation certificates		**420,620**		411,220
Unallocated retained earnings		**52,989,024**		50,443,896
Accumulated other comprehensive loss		**(489,881)**		(501,053)
Total members' equity		**52,919,763**		50,354,063
Total liabilities and members' equity	$	**381,168,892**	$	344,060,768

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2022	2021	**2022**	2021
INTEREST INCOME				
Loans	**$ 3,431,929**	$ 2,994,738	**$ 6,434,122**	$ 5,765,420
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**1,453,410**	1,144,708	**2,593,827**	2,200,524
Net interest income	**1,978,519**	1,850,030	**3,840,295**	3,564,896
(REVERSAL OF) PROVISION FOR LOAN LOSSES	**(5,751)**	47,890	**30,049**	17,009
Net interest income after (reversal of) provision for loan losses	**1,984,270**	1,802,140	**3,810,246**	3,547,887
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**850,133**	702,159	**1,683,633**	1,392,504
Loan fees	**35,326**	39,794	**68,272**	74,383
Financially related services income	**560**	516	**560**	658
Gain on sale of premises and equipment, net	**559,310**	32,800	**559,310**	88,791
Other noninterest income	**30,246**	41,553	**156,712**	86,854
Total noninterest income	**1,475,575**	816,822	**2,468,487**	1,643,190
NONINTEREST EXPENSES				
Salaries and employee benefits	**1,137,203**	869,159	**2,062,425**	1,776,810
Directors' expense	**59,468**	41,081	**101,687**	72,962
Purchased services	**97,936**	82,060	**216,713**	180,424
Travel	**63,888**	66,463	**127,260**	121,802
Occupancy and equipment	**349,841**	236,204	**596,942**	345,224
Communications	**17,461**	19,266	**33,875**	39,675
Advertising	**8,071**	4,832	**16,791**	10,728
Public and member relations	**8,157**	7,507	**18,022**	11,584
Supervisory and exam expense	**33,359**	29,694	**66,718**	59,388
Insurance Fund premiums	**176,942**	114,637	**297,875**	222,304
Loss on other property owned, net	**1,648**	1,528	**1,782**	1,661
Other noninterest expense	**105,570**	88,263	**193,415**	169,125
Total noninterest expenses	**2,059,544**	1,560,694	**3,733,505**	3,011,687
Income before income taxes	**1,400,301**	1,058,268	**2,545,228**	2,179,390
Provision for income taxes	**100**	-	**100**	-
NET INCOME	**1,400,201**	1,058,268	**2,545,128**	2,179,390
Other comprehensive income:				
Change in postretirement benefit plans	**5,586**	5,766	**11,172**	11,532
COMPREHENSIVE INCOME	**$ 1,405,787**	$ 1,064,034	**$ 2,556,300**	$ 2,190,922

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2020	$ 447,640	$ 46,963,846	$ (479,053)	$ 46,932,433
Comprehensive income	-	2,179,390	11,532	2,190,922
Capital stock/participation certificates and allocated retained earnings issued	26,370	-	-	26,370
Capital stock/participation certificates and allocated retained earnings retired	(20,635)	-	-	(20,635)
Balance at June 30, 2021	$ 453,375	$ 49,143,236	$ (467,521)	$ 49,129,090
Balance at December 31, 2021	$ 411,220	$ 50,443,896	$ (501,053)	$ 50,354,063
Comprehensive income	-	2,545,128	11,172	2,556,300
Capital stock/participation certificates and allocated retained earnings issued	23,200	-	-	23,200
Capital stock/participation certificates and allocated retained earnings retired	(13,800)	-	-	(13,800)
Balance at June 30, 2022	**$ 420,620**	**$ 52,989,024**	**$ (489,881)**	**$ 52,919,763**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Ag New Mexico, Farm Credit Services, ACA (Agricultural Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves all counties in the state of New Mexico with the exception of San Juan County and the portion of Rio Arriba County lying west of the Continental Divide. The PCA and FLCA subsidiaries are also authorized to operate in Cochran County, Texas. In addition, the Association and Farm Credit Services of New Mexico, ACA have entered into an agreement that allows the Association to make mortgage loans in New Mexico, on a statewide basis, without obtaining territorial approval. The Association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2021, as contained in the 2021 Annual Report to Stockholders.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP), except for the inclusion of a statement of cash flows. GAAP require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the Association has elected not to include a statement of cash flows in these consolidated financial statements. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2021, as contained in the 2021 Annual Report to Stockholders. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2022. Descriptions of the significant accounting policies are included in the 2021 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

On December 8, 2021, the FCA issued an informational memorandum to provide additional guidance to Farm Credit System institutions on their transition away from LIBOR. The guidance encourages Farm Credit System institutions to stop entering into new contracts that reference LIBOR as soon as practicable and in any event no later than December 31, 2021. Entering into new LIBOR-referenced contracts after that date would present safety and soundness risk. The guidance also provides clarity on what the FCA considers a new LIBOR-indexed contract; whether purchases of legacy LIBOR-indexed loans and investments are deemed new contracts; limited exceptions for entering into new LIBOR contracts that reduce or hedge risk in legacy LIBOR contracts; and the due diligence and other procedures required before using other benchmark/reference rate alternatives to LIBOR (beyond SOFR), including credit-sensitive alternative rates.

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While our Association currently holds legacy LIBOR indexed loans in our portfolio, we have adopted a transition plan to reduce LIBOR exposures and stop the inflow of new LIBOR volume. We have analyzed potential risks associated with the LIBOR transition, including financial, operational, legal, tax, reputational and compliance risks. Since we engage in transactions involving financial instruments that reference LIBOR, these developments did not have a material impact on the Association and our borrowers. Management has documented and worked through the LIBOR transition plan with our funding bank and service provider to address the phase out of LIBOR rates, including any updates to processes and loan servicing technology.

In March 2022, the Financial Accounting Standards Board (FASB) issued an update entitled, "Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures." The guidance eliminates the accounting guidance for troubled debt restructurings (TDRs) by creditors while enhancing disclosure requirements for certain loan refinancings and restructurings when a borrower is experiencing financial difficulty. The creditor will have to apply the guidance to determine whether a modification results in a new loan or a continuation of an existing loan. In addition to the TDR guidance, the update requires public business entities to disclose current period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of the credit losses standard. These amendments will be effective for the Association at the time of adoption of the measurement of credit losses on financial instruments standard on January 1, 2023.

In January 2021, the FASB issued an update to Reference Rate Reform whereby certain derivative instruments may be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments do not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The Association adopted the guidance in the first quarter of 2021 and the impact was not material to the Association's financial condition or its results of operations.

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. With respect to hedge accounting, the guidance allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association applied the optional accounting expedients available under the guidance to debt and derivative contract modifications related to LIBOR transition in the fourth quarter of 2020. The impact of adoption was not material to the Association's financial condition or results of operations. In addition, the Association adopted the optional expedient as it relates to loans during the first quarter of 2021 and the impact of adoption was not material to the Association's financial condition or results of operations.

In December 2019, the FASB issued guidance entitled "Simplifying the Accounting for Income Taxes." This guidance eliminates certain intra period tax allocations, foreign deferred tax recognition and interim period tax calculations. In addition, the guidance simplifies disclosure regarding capital and franchise taxes, the allocation of goodwill in business combinations, subsidiary financial statements, and other disclosures. The new guidance is intended to eliminate and/or simplify certain aspects of income tax accounting that are complex or that require significant judgment in application or presentation. The guidance becomes effective for fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted, and the Association adopted this guidance on January 1, 2020. The adoption of this guidance did not impact the Association's financial condition or its results of operations.

In August 2018, the FASB issued guidance entitled "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Cost." The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this guidance. This guidance became effective for interim and annual periods beginning after December 15, 2019. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The adoption of this guidance did not materially impact the Association's financial condition or its results of operations.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans." The guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance became effective for fiscal years ending after December 15, 2020. The guidance is to be applied on a retrospective basis for all periods. The adoption of this guidance did not impact the Association's financial condition or its results of operations, but did impact the employee benefit plan disclosures.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement." The guidance modifies the requirements on fair value measurements by removing, modifying, or adding to the disclosures. This guidance became effective for interim and annual periods beginning after December 15, 2019. Early adoption was permitted, and an entity was permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The Association early adopted the removal and modified disclosures during the fourth quarter of 2018. The adoption of this guidance did not impact the Association's financial condition or its results of operations, but did impact the fair value measurements disclosures.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain institutions. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those entities qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on the Association's financial condition and its results of operations, with planned adoption for interim and reporting periods beginning after December 15, 2022.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management's estimates. The results for the quarter ended June 30, 2022, are not necessarily indicative of the results to be expected for the year ended December 31, 2022. Certain amounts in the prior period's financial statements may have been reclassified to conform to current financial statement presentation.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**June 30, 2022**	December 31, 2021
Production agriculture:		
Real estate mortgage	**$ 208,650,163**	$ 173,036,304
Production and intermediate term	**63,738,526**	67,665,799
Agribusiness:		
Processing and marketing	**42,140,153**	43,141,373
Farm-related business	**19,089,789**	18,806,935
Loans to cooperatives	**10,279,794**	4,985,423
Communication	**6,369,354**	5,593,740
Water and waste water	**3,993,793**	3,297,345
Energy	**3,059,615**	4,493,222
International	**2,697,581**	2,697,276
Rural residential real estate	**2,629,892**	3,106,164
Lease receivables	**1,640,863**	1,784,191
Total	**$ 364,289,523**	$ 328,607,772

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at June 30, 2022:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Agribusiness	$ 52,916,553	$ 7,165,468	$ -	$ -	$ 52,916,553	$ 7,165,468
Real estate mortgage	25,021,991	42,298,451	-	1,599,445	25,021,991	43,897,896
Production and intermediate term	11,266,506	35,047,510	-	-	11,266,506	35,047,510
Communication	6,369,354	-	-	-	6,369,354	-
Water and waste water	3,993,793	-	-	-	3,993,793	-
Energy	3,059,615	-	-	-	3,059,615	-
International	2,697,581	-	-	-	2,697,581	-
Lease receivables	1,640,863	-		-	1,640,863	-
Rural residential real estate	-	4,247,397	-	-	-	4,247,397
Total	$ 106,966,256	$ 88,758,826	$ -	$ 1,599,445	$ 106,966,256	$ 90,358,271

The Association is authorized under the Farm Credit Act to accept "advance conditional payments" (ACPs) from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower's related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest may be paid by the Association on such balances. Balances of ACPs were $6,043,239 and $441,427 at June 30, 2022, and December 31, 2021, respectively.

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	June 30, 2022	December 31, 2021
Nonaccrual loans:		
Production and intermediate term	**$ 1,023,104**	$ 1,023,104
Real estate mortgage	**733,629**	739,510
Rural residential real estate	**194,878**	213,247
Total nonaccrual loans	**1,951,611**	1,975,861
Accruing loans 90 days or more past due:		
Production and intermediate term	**242,285**	236,366
Real estate mortgage	**-**	-
Rural residential real estate	**-**	-
Total accruing loans 90 days or more past due	**242,285**	236,366
Total nonperforming loans	**2,193,896**	2,212,227
Other property owned	**2,775**	2,775
Total nonperforming assets	**$ 2,196,671**	$ 2,215,002

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality;
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness;
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan;
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable; and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of:

	June 30, 2022		December 31, 2021	
Real estate mortgage				
Acceptable	**99.1**	%	98.9	%
OAEM	**-**		0.1	
Substandard/doubtful	**0.9**		1.0	
	100.0		100.0	
Production and intermediate term				
Acceptable	**98.1**		97.6	
OAEM	**-**		0.6	
Substandard/doubtful	**1.9**		1.8	
	100.0		100.0	
Process and marketing				
Acceptable	**89.4**		92.8	
OAEM	**-**		-	
Substandard/doubtful	**10.6**		7.2	
	100.0		100.0	
Farm-related business				
Acceptable	**100.0**		100.0	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Loans to cooperatives				
Acceptable	**100.0**		100.0	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Energy				
Acceptable	**100.0**		55.9	
OAEM	**-**		-	
Substandard/doubtful	**-**		44.1	
	100.0		100.0	
Communication				
Acceptable	**100.0**		100.0	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Rural residential real estate				
Acceptable	**96.5**		93.2	
OAEM	**-**		-	
Substandard/doubtful	**3.5**		6.8	
	100.0		100.0	
International				
Acceptable	**100.0**		100.0	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Water and waste water				
Acceptable	**100.0**		100.0	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Lease receivables				
Acceptable	**100.0**		100.0	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Total loans				
Acceptable	**97.9**		97.3	
OAEM	-		0.2	
Substandard/doubtful	**2.1**		2.5	
	100.0	%	100.0	%

The following tables provide an age analysis of past due loans (including accrued interest) as of:

June 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 Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 2,662,665**	**$ 607,734**	**$ 3,270,399**	**$ 207,788,246**	**$ 211,058,645**	**$ -**
Production and intermediate term	**-**	**1,265,389**	**1,265,389**	**63,269,570**	**64,534,959**	**242,285**
Processing and marketing	**-**	**-**	**-**	**42,446,345**	**42,446,345**	**-**
Farm-related business	**-**	**-**	**-**	**19,193,066**	**19,193,066**	**-**
Loans to cooperatives	**-**	**-**	**-**	**10,298,981**	**10,298,981**	**-**
Communication	**-**	**-**	**-**	**6,369,981**	**6,369,981**	**-**
Water and waste water	**-**	**-**	**-**	**4,024,485**	**4,024,485**	**-**
Energy	**-**	**-**	**-**	**3,068,314**	**3,068,314**	**-**
International	**-**	**-**	**-**	**2,705,091**	**2,705,091**	**-**
Rural residential real estate	**139,446**	**-**	**139,446**	**2,499,172**	**2,638,618**	**-**
Lease receivables	**-**	**-**	**-**	**1,647,145**	**1,647,145**	**-**
Total	**$ 2,802,111**	**$ 1,873,123**	**$ 4,675,234**	**$ 363,310,396**	**$ 367,985,630**	**$ 242,285**

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 Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 1,177,568	$ 608,700	$ 1,786,268	$ 173,915,102	$ 175,701,370	$ -
Production and intermediate term	-	1,259,470	1,259,470	67,024,717	68,284,187	236,366
Processing and marketing	-	-	-	43,382,398	43,382,398	-
Farm-related business	-	-	-	18,863,768	18,863,768	-
Loans to cooperatives	-	-	-	4,992,725	4,992,725	-
Communication	-	-	-	5,594,054	5,594,054	-
Water and waste water	-	-	-	3,328,042	3,328,042	-
Energy	-	-	-	4,504,301	4,504,301	-
International	-	-	-	2,701,685	2,701,685	-
Rural residential real estate	143,660	213,247	356,907	2,762,084	3,118,991	-
Lease receivables	-	-	-	1,799,991	1,799,991	-
Total	$ 1,321,228	$ 2,081,417	$ 3,402,645	$ 328,868,867	$ 332,271,512	$ 236,366

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

A restructuring of a debt constitutes a troubled debt restructuring 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. Troubled debt restructurings (TDRs) are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

The predominant form of concession granted for troubled debt restructuring includes extensions of terms. Other types of modifications include principal or accrued interest reductions, interest rate decreases and delayed payments, among others. At times, these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case the Association assesses all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

As of June 30, 2022, and December 31, 2021, the Association had no troubled debt restructured loans.

Additional impaired loan information is as follows:

	June 30, 2022			December 31, 2021		
	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Production and intermediate term	**$ 686,676**	**$ 695,464**	**$ 164,308**	$ 686,676	$ 695,464	$ 164,308
Real estate mortgage	**-**	**-**	**-**	-	-	-
Rural residential real estate	**-**	**-**	**-**	-	-	-
Total	**$ 686,676**	**$ 695,464**	**$ 164,308**	$ 686,676	$ 695,464	$ 164,308
Impaired loans with no related allowance for credit losses:						
Production and intermediate term	**$ 578,713**	**$ 535,364**	**$ -**	$ 572,794	$ 535,364	$ -
Real estate mortgage	**733,629**	**733,629**	**-**	739,510	739,619	-
Rural residential real estate	**194,878**	**194,878**	**-**	213,247	213,247	-
Total	**$ 1,507,220**	**$ 1,463,871**	**$ -**	$ 1,525,551	$ 1,488,230	$ -
Total impaired loans:						
Production and intermediate term	**$ 1,265,389**	**$ 1,230,828**	**$ 164,308**	$ 1,259,470	$ 1,230,828	$ 164,308
Real estate mortgage	**733,629**	**733,629**	**-**	739,510	739,619	-
Rural residential real estate	**194,878**	**194,878**	**-**	213,247	213,247	-
Total	**$ 2,193,896**	**$ 2,159,335**	**$ 164,308**	$ 2,212,227	$ 2,183,694	$ 164,308

[a] Unpaid principal balance represents the recorded principal balance of the loan.

	For the Three Months Ended				For the Six Months Ended			
	June 30, 2022		June 30, 2021		June 30, 2022		June 30, 2021	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:								
Production and intermediate term	**$ 686,676**	**$ -**	$ -	$ -	**$ 686,676**	**$ -**	$ -	$ -
Real estate mortgage	**-**	**-**	-	-	**-**	**-**	-	-
Rural residential real estate	**-**	**-**	-	-	**-**	**-**	-	-
Total	**$ 686,676**	**$ -**	$ -	$ -	**$ 686,676**	**$ -**	$ -	$ -
Impaired loans with no related allowance for credit losses:								
Production and intermediate term	**$ 535,364**	**$ 2,976**	$ 1,023,103	$ -	**$ 535,364**	**$ 5,919**	$ 1,023,103	$ -
Real estate mortgage	**735,319**	**-**	802,063	-	**737,035**	**-**	814,897	2,535
Rural residential real estate	**211,114**	**-**	219,178	-	**211,463**	**-**	221,091	-
Total	**$ 1,481,797**	**$ 2,976**	$ 2,044,344	$ -	**$ 1,483,862**	**$ 5,919**	$ 2,059,091	$ 2,535
Total impaired loans:								
Production and intermediate term	**$ 1,222,040**	**$ 2,976**	$ 1,023,103	$ -	**$ 1,222,040**	**$ 5,919**	$ 1,023,103	$ -
Real estate mortgage	**735,319**	**-**	802,063	-	**737,035**	**-**	814,897	2,535
Rural residential real estate	**211,114**	**-**	219,178	-	**211,463**	**-**	221,091	-
Total	**$ 2,168,473**	**$ 2,976**	$ 2,044,344	$ -	**$ 2,170,538**	**$ 5,919**	$ 2,059,091	$ 2,535

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy	Water and Waste Water	Rural Residential Real Estate	International	Lease Receivables	Total
Allowance for Credit Losses:										
Balance at March 31, 2022	$ 130,001	$ 250,788	$ 392,001	$ 3,762	$ 162,068	$ 3,570	$ 8,423	$ 3,367	$ 449	$ 954,429
Charge-offs	-	-	-	-	-	-	-	-	-	-
Recoveries	-	3,100	-	-	-	-	-	-	-	3,100
Provision for loan losses	43,445	25,145	77,878	985	(158,822)	2,542	2,066	893	117	(5,751)
Other	3,373	2,231	9,137	92	62	119	204	83	11	15,312
Balance at June 30, 2022	$ 176,819	$ 281,264	$ 479,016	$ 4,839	$ 3,308	$ 6,231	$ 10,693	$ 4,343	$ 577	$ 967,091
Balance at December 31, 2021	$ 99,729	$ 246,733	$ 354,498	$ 3,497	$ 211,020	$ 4,524	$ 7,941	$ 3,143	$ 416	$ 931,501
Charge-offs	-	-	-	-	-	-	-	-	-	-
Recoveries	590	5,100	-	-	-	-	-	-	-	5,690
Provision for loan losses	75,671	28,890	123,053	1,324	(204,603)	1,658	2,713	1,183	159	30,048
Other	829	541	1,465	18	(3,109)	49	39	17	2	(149)
Balance at June 30, 2022	$ 176,819	$ 281,264	$ 479,016	$ 4,839	$ 3,308	$ 6,231	$ 10,693	$ 4,343	$ 577	$ 967,091
Ending Balance:										
Individually evaluated for impairment	$ -	$ 164,308	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 164,308
Collectively evaluated for impairment	176,819	116,956	479,016	4,839	3,308	6,231	10,693	4,343	577	802,783
Balance at June 30, 2022	$ 176,819	$ 281,264	$ 479,016	$ 4,839	$ 3,308	$ 6,231	$ 10,693	$ 4,343	$ 577	$ 967,091
Balance at March 31, 2021	$ 147,328	$ 209,348	$ 429,870	$ 13,819	$ 50,219	$ 4,471	$ 13,418	$ -	$ 1,115	$ 869,588
Charge-offs	-	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-	-
Provision for loan losses	36,673	(31,806)	(33,701)	(7,552)	81,816	(653)	(767)	3,938	(58)	47,890
Other	1,163	1,123	2,504	40	835	24	80	25	7	5,801
Balance at June 30, 2021	$ 185,164	$ 178,665	$ 398,673	$ 6,307	$ 132,870	$ 3,842	$ 12,731	$ 3,963	$ 1,064	$ 923,279
Balance at December 31, 2020	$ 131,980	$ 281,178	$ 437,180	$ 8,477	$ 10,189	$ 4,812	$ 16,386	$ -	$ 1,292	$ 891,494
Charge-offs	-	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-	-
Provision for loan losses	50,501	(105,799)	(45,447)	(2,353)	121,328	(1,040)	(3,873)	3,938	(246)	17,009
Other	2,683	3,286	6,940	183	1,353	70	218	25	18	14,776
Balance at June 30, 2021	$ 185,164	$ 178,665	$ 398,673	$ 6,307	$ 132,870	$ 3,842	$ 12,731	$ 3,963	$ 1,064	$ 923,279
Ending Balance:										
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	185,164	178,665	398,673	6,307	132,870	3,842	12,731	3,963	1,064	923,279
Balance at June 30, 2021	$ 185,164	$ 178,665	$ 398,673	$ 6,307	$ 132,870	$ 3,842	$ 12,731	$ 3,963	$ 1,064	$ 923,279

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy	Water and Waste Water	Rural Residential Real Estate	International	Lease Receivables	Total
Recorded Investments in Loans Outstanding:										
Ending Balance at June 30, 2022	$ 211,058,645	$ 64,534,959	$ 71,938,392	$ 6,369,981	$ 3,068,314	$ 4,024,485	$ 2,638,618	$ 2,705,091	$ 1,647,145	$ 367,985,630
Individually evaluated for impairment	$ 733,629	$ 1,265,389	$ -	$ -	$ -	$ -	$ 194,878	$ -	$ -	$ 2,193,896
Collectively evaluated for impairment	$ 210,325,016	$ 63,269,570	$ 71,938,392	$ 6,369,981	$ 3,068,314	$ 4,024,485	$ 2,443,740	$ 2,705,091	$ 1,647,145	$ 365,791,734
Ending Balance at June 30, 2021	$ 177,473,301	$ 66,763,595	$ 72,732,095	$ 7,999,850	$ 9,071,923	$ 2,852,696	$ 4,421,206	$ 3,185,357	$ 1,861,023	$ 346,361,046
Individually evaluated for impairment	$ 793,244	$ 1,023,103	$ -	$ -	$ -	$ -	$ 216,866	$ -	$ -	$ 2,033,213
Collectively evaluated for impairment	$ 176,680,057	$ 65,740,492	$ 72,732,095	$ 7,999,850	$ 9,071,923	$ 2,852,696	$ 4,204,340	$ 3,185,357	$ 1,861,023	$ 344,327,833

NOTE 3 —LEASES:

The components of lease expense were as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
Operating lease cost	**$ 48,033**	$ 33,823	**$ 71,765**	$ 67,645
Net lease cost	**$ 48,033**	$ 33,823	**$ 71,765**	$ 67,645

Other information related to leases was as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	**$ 48,033**	$ 33,823	**$ 71,765**	$ 67,645
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	**44,317**	32,051	**66,571**	63,883

Lease term and discount rate are as follows:

	June 30, 2022	December 31, 2021
Weighted average remaining lease term in years		
Operating leases	**2.4**	1.5
Weighted average discount rate		
Operating leases	**4.09%**	2.90%

Future minimum lease payments under non-cancellable leases as of June 30, 2022 were as follows:

	Operating Leases
2022 (excluding the six months ended 6/30/22)	$ 120,630
2023	226,672
2024	174,353
2025	48,600
2026	-
Thereafter	-
Total	$ 570,255

NOTE 4 — CAPITAL:

The Association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the Association's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements, and other actions that may decrease the Association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Requirements Including Capital Conservation Buffers	As of June 30, 2022
Common equity tier 1 ratio	7.00%	13.00%
Tier 1 capital ratio	8.50%	13.00%
Total capital ratio	10.50%	13.30%
Permanent capital ratio	7.00%	13.04%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	12.33%
UREE leverage ratio	1.50%	12.21%

The details for the amounts used in the calculation of the regulatory capital ratios as of June 30, 2022:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	51,250,134	51,250,134	51,250,134	51,250,134
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	416,037	416,037	416,037	416,037
Allowance for loan losses and reserve for credit losses subject to certain limitations			1,013,473	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(8,520,268)	(8,520,268)	(8,520,268)	(8,520,268)
	43,145,903	43,145,903	44,159,376	43,145,903
Denominator:				
Risk-adjusted assets excluding allowance	340,477,630	340,477,630	340,477,630	340,477,630
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(8,520,268)	(8,520,268)	(8,520,268)	(8,520,268)
Allowance for loan losses				(956,365)
	331,957,362	331,957,362	331,957,362	331,000,997

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	51,250,134	51,250,134
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	416,037	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(8,520,268)	(8,520,268)
	43,145,903	42,729,866
Denominator:		
Total Assets	359,436,886	359,436,886
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(9,606,812)	(9,606,812)
	349,830,074	349,830,074

An additional component of equity is accumulated other comprehensive income, which is reported net of taxes, which is as follows:

June 30, 2022	**Accumulated Other Comprehensive Loss**
Nonpension postretirement benefits	**$ (489,881)**
Total	**$ (489,881)**

June 30, 2021	Accumulated Other Comprehensive Loss
Nonpension postretirement benefits	$ (467,521)
Total	$ (467,521)

The Association's accumulated other comprehensive loss relates entirely to its non-pension other postretirement benefits. Amortization of prior service credits and of actuarial loss are reflected in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. The following table summarizes the change in accumulated other comprehensive loss for the six months ended June 30:

	2022	**2021**
Accumulated other comprehensive loss at January 1	**$ (501,053)**	$ (479,053)
Amortization of prior service credit included in salaries and employee benefits	**(2,242)**	(2,242)
Amortization of actuarial loss included in salaries and employee benefits	**13,414**	13,774
Other comprehensive income, net of tax	**11,172**	11,532
Accumulated other comprehensive loss at June 30	**$ (489,881)**	$ (467,521)

NOTE 5 — INCOME TAXES:

Ag New Mexico, Farm Credit Services, ACA conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly-owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. Ag New Mexico, Farm Credit Services, ACA operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, Ag New Mexico, Farm Credit Services, ACA can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized.

NOTE 6 — FAIR VALUE MEASUREMENTS:

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 14 to the 2021 Annual Report to Stockholders for a more complete description.

Assets measured at fair value on a nonrecurring basis, which are fair value measurements that are triggered by particular circumstances such as impaired assets, for each of the fair value hierarchy values are summarized below. The Association did not have any liabilities measured at fair value on a nonrecurring basis.

June 30, 2022	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans*	**$ -**	**$ -**	**$ 522,368**	**$ 522,368**
Other property owned	**-**	**-**	**2,775**	**2,775**

December 31, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans*	$ -	$ -	$ 522,368	$ 522,368
Other property owned	-	-	2,775	2,775

*Represents the fair value of certain loans that were evaluated for impairment under the authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral.

Valuation Techniques

As more fully discussed in Note 14 to the 2021 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Association's assets and liabilities. For a more complete description, see Notes to the 2021 Annual Report to Stockholders.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of the other property owned involves the use of independent appraisals and other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy.

NOTE 7 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the three and six months ended June 30:

Three months ended June 30:

	Other Benefits	
	2022	2021
Service cost	**$ 8,294**	$ 6,322
Interest cost	**13,309**	11,385
Amortization of prior service credits	**(1,121)**	(1,121)
Amortization of net actuarial loss	**6,707**	6,887
Net periodic benefit cost	**$ 27,189**	$ 23,473

Six months ended June 30:

	Other Benefits	
	2022	2021
Service cost	**$ 16,588**	$ 12,645
Interest cost	**26,618**	22,769
Amortization of prior service credits	**(2,242)**	(2,242)
Amortization of net actuarial loss	**13,414**	13,774
Net periodic benefit cost	**$ 54,378**	$ 46,946

The Association's liability for the unfunded accumulated obligation for these benefits at June 30, 2022, was $1,726,264 and is included in other liabilities on the balance sheet.

The components of net periodic benefit cost other than the service cost component are included in the line item "salaries and benefits" in the income statement.

The structure of the District's defined benefit pension plan is characterized as multiemployer since the assets, liabilities, and cost of the plan are not segregated or separately accounted for by participating employers (Bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The Association previously disclosed in its financial statements for the year ended December 31, 2021, that it expected to contribute $57,848 to the District's defined benefit pension plan in 2022. As of June 30, 2022, the full contribution has been made. The Association presently does not anticipate additional contributions to fund the defined benefit pension plan in 2022.

NOTE 8 — COMMITMENTS AND CONTINGENT LIABILITIES:

The Association is involved in various legal proceedings in the normal course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

NOTE 9 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through August 9, 2022, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of August 9, 2022.