

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Mid-America, ACA and its subsidiaries, Farm Credit Mid-America, FLCA and Farm Credit Mid-America, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2021 (2021 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (AgriBank), the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of AgriBank financial reports or additional copies of our report, contact us at:

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NOTICE OF SIGNIFICANT OR MATERIAL EVENTS

On June 24, 2022, the Boards of Directors of Farm Credit Midsouth, ACA and Farm Credit Mid-America, ACA executed a letter of intent to merge the two associations. The merged association would be named Farm Credit Mid-America, ACA and headquartered in Louisville, Kentucky. Today, combining the associations would serve over 137,000 customers in 391 counties in Arkansas, Indiana, Kentucky, Missouri, Ohio and Tennessee, and would yield approximately \$36.0 billion in owned and managed assets. Both associations are undertaking due diligence to assess merger benefits. If the outcome of due diligence is satisfactory and related approvals are received from both Boards, AgriBank and the Farm Credit Administration (FCA), customer-owners would vote on the merger in early 2023. If approved, the target effective date for the merger is April 1, 2023.

FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2021 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

There has been volatility across all segments of the economy during the first half of 2022. We have been in an economic up cycle in agriculture since late 2019 and realize that the backend of the cycle will begin at some point. However, the current combination of high inflation and rising interest rates makes a soft landing seem less likely. While the outlook for most of agriculture remains good for 2022, margins are being compressed by rapidly increasing costs caused by ongoing supply chain issues and a recent moderation in the commodity markets. General crop conditions in our four state area are good, but there are a few emerging pockets of late planted crops and dry weather. Global commodities and input supplies remain tight, but high prices are beginning to pressure demand. The Highly Pathogenic Avian Influenza (HPAI) created significant opportunities and challenges during the first half of 2022 for the broiler and egg markets throughout the United States (U.S.). Fewer layers drove prices for eggs higher benefitting producers without HPAI issues. Livestock producers and processors of all categories of proteins are challenged with feed costs and continued pressures on labor supply. Labor issues and a declining cow herd may severely hamper the cattle industry's attempts to add packing capacity and may challenge any new plants that do come on line. Land values continue to increase, but at slower rates. Even with strong demand and limited market supply, increasing interest rates and market volatility appear to be moderating enthusiasm.

The Purdue University/CME Group Ag Economy Barometer, a nationwide measure of the health of the U.S. agricultural economy, plummeted in May 2022 to a reading of just 99, the weakest farmer sentiment reading since April 2020. Farmer sentiment dipped to its lowest level since the early days of the pandemic in spring 2020. Despite strong commodity prices, producers are very concerned about their farms' financial performance in 2022. Weakness in producers' sentiment appears to be driven by the rapid rise in production costs and uncertainty about where input prices are headed. Fewer producers this month said they experienced difficulty in purchasing crop inputs than reported having difficulty throughout the winter and early spring, suggesting that input availability did not impact planting progress this spring. Despite concerns about farm financial performance, producers remain relatively optimistic about farmland values, largely because of expectations for strong non-farm investor demand and inflation. Finally, this month's survey suggests that producers with wheat/double-crop soybean experience plan to increase their wheat acreage in fall 2022.

In terms of the general economy, the May 2022 U.S. Bureau of Labor Statistics reported total unemployment in May of 3.6%. May unemployment rates for the Association's four state area are as follows: Indiana 2.2%, Kentucky 3.8%, Tennessee 3.3%, and Ohio 3.9%. Housing starts in our four state territory are slowing with elevated costs of construction and increasing interest rates impacting consumer decisions. Refinance activity has fallen sharply based on rising interest rates and significant refinancing completed in the last 24 months. The May 2022 University of Michigan Surveys of Consumers, showed a decline in consumer sentiment falling 10.4% below April and reverted to virtually the same level of sentiment seen in March. This recent drop was largely driven by continued negative views on current buying conditions for houses and durables, as well as consumers' future outlook for the economy, primarily due to concerns over inflation. While the declines in sentiment were visible across demographic groups, middle-income consumers and middle-educated consumers showed the strongest declines from April. At the same time, consumers expressed less pessimism over future prospects for their personal finances than over future business conditions. Less than one quarter of consumers expected to be worse off financially a year from now. Looking into the long term, a majority of consumers expected their financial situation to improve over the next five years; this share is essentially unchanged during 2022. Those under the age of 45, who had stronger income expectations than older consumers, showed the most optimism. Across all consumers, a stable outlook for personal finances may currently support consumer spending. Still, persistently negative views of the economy may come to dominate personal factors in influencing consumer behavior in the future.

LOAN PORTFOLIO

Loan Portfolio

Total loans were \$27.5 billion at June 30, 2022, an increase of \$282.1 million from December 31, 2021. The increase was primarily due to activity in agribusiness and real estate mortgage loans and was offset by an asset pool sale to AgriBank. On May 1, 2022, we sold \$712.7 million of a participation interest in real estate loans to AgriBank. AgriBank has established a separate patronage pool for these assets and intends to pay the net earnings back to us as patronage.

Portfolio Credit Quality

The credit quality of our portfolio improved from December 31, 2021. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. Adversely classified loans decreased to 2.1% of the portfolio at June 30, 2022, from 2.6% of the portfolio at December 31, 2021. Continued growth in high quality new loans and proactive engagement with customers experiencing economic challenges has strengthened the overall portfolio. Stable to increasing collateral values are supporting good loan to value ratios throughout the portfolio. Rising inflation, increasing interest rates, a strong labor market without adequate workers to fill available jobs, and lingering supply chain issues continue to be portfolio stressors in the middle of 2022. Delinquencies, an early indicator of challenges, increased slightly in the second quarter but remain low. A significant portion of our delinquencies are in our United States Department of Agriculture (USDA) guaranteed portfolio, seeming to indicate higher leveraged and newer companies are having greater challenges with the changing economic conditions. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

Risk Assets

Components of Risk Assets

(dollars in thousands)	June 30, 2022	December 31, 2021
As of:		
Loans:		
Non-accrual	\$ 131,638	\$ 141,955
Accruing restructured	15,274	15,771
Accruing loans 90 days or more past due	153,378	67,123
Total risk loans	300,290	224,849
Other property owned	423	1,272
Total risk assets	\$ 300,713	\$ 226,121
Total risk loans as a percentage of total loans	1.1%	0.8%
Non-accrual loans as a percentage of total loans	0.5%	0.5%
Current non-accrual loans as a percentage of total non-accrual loans	69.1%	69.0%
Total delinquencies as a percentage of total loans	1.1%	0.9%

Note: Accruing loans include accrued interest receivable.

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

The increase in accruing loans 90 days or more past due and total delinquencies as a percentage of total loans was primarily due to delinquencies in USDA guaranteed assets, for which we expect full payment. Our accounting policy requires loans past due 90 days or more to be transferred into non-accrual status unless adequately secured and a plan is in place to collect past due amounts. Based on our analysis, accruing loans 90 days or more past due were eligible to remain in accruing status.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans inherent in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Allowance Coverage Ratios		
As of:	June 30,	December 31,
	2022	2021
Allowance as a percentage of:		
Loans	0.23%	0.26%
Non-accrual loans	48.2%	49.8%
Total risk loans	21.1%	31.5%

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

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the six months ended June 30	2022	2021
Net income	\$ 223,408	\$ 210,633
Return on average assets	1.50%	1.58%
Return on average members' equity	8.22%	8.11%

Changes presented in the profitability information chart relate directly to:

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

Changes in Significant Components of Net Income

(in thousands)			Increase (decrease) in net income
For the six months ended June 30	2022	2021	
Net interest income	\$ 297,021	\$ 270,481	\$ 26,540
Reversal of credit losses	(6,451)	--	6,451
Non-interest income	113,923	115,179	(1,256)
Non-interest expense	186,631	170,298	(16,333)
Provision for income taxes	7,356	4,729	(2,627)
Net income	\$ 223,408	\$ 210,633	\$ 12,775

Net Interest Income

Changes in Net Interest Income

(in thousands)

For the six months ended June 30	2022 vs 2021
Changes in volume	\$ 22,818
Changes in interest rates	5,437
Changes in non-accrual income and other	(1,715)
Net change	\$ 26,540

Reversal of Credit Losses

The reversal of credit losses recorded during the six months ended June 30, 2022, was a result of improvement in credit quality and other credit and economic factors. No provision expense or reversal of credit losses was recorded during the six months ended June 30, 2021, due to uncertainty related to the COVID-19 pandemic.

Non-Interest Expense

The change in non-interest expense was primarily related to the increased Farm Credit System Insurance Corporation (FCSIC) premium rate and increased staffing related expenses.

The Farm Credit System insurance expense increased in 2022 primarily due to a higher premium rate charged by FCSIC on accrual loans. The premium rate, which is primarily impacted by System growth, was increased from 16 basis points to 20 basis points during June of 2022. The change was applied retroactively to all of calendar year 2022. The premium rate for 2021 was 16 basis points. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable was scheduled to mature on April 30, 2024. However, it was renewed early for \$28.0 billion with a maturity date of April 30, 2025. We intend to renegotiate the note payable no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

The components of cost of funds associated with our note payable include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

We were not subject to a risk premium at June 30, 2022, or December 31, 2021.

Total members' equity increased \$115.6 million from December 31, 2021, primarily due to net income for the period partially offset by patronage distribution accruals.

The Farm Credit Administration (FCA) Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 7 in our 2021 Annual Report for a more complete description of these ratios. Effective January 1, 2022, the FCA regulations slightly modified the calculation of the unallocated retained earnings and equivalents leverage ratio to include certain additional deductions. The modification did not have a material impact on this ratio.

Regulatory Capital Requirements and Ratios

As of:	June 30, 2022	December 31, 2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	16.7%	17.9%	4.5%	2.5%	7.0%
Tier 1 capital ratio	16.7%	17.9%	6.0%	2.5%	8.5%
Total capital ratio	17.0%	18.2%	8.0%	2.5%	10.5%
Permanent capital ratio	16.7%	18.0%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	15.9%	16.9%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	15.7%	18.1%	1.5%	N/A	1.5%

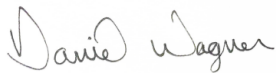
Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as disclosed in Note 11 in our 2021 Annual Report.

CERTIFICATION

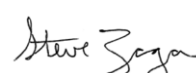
The undersigned have reviewed the June 30, 2022, Quarterly Report of Farm Credit Mid-America, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.



Andrew Wilson
Chair of the Board
Farm Credit Mid-America, ACA



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



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

August 9, 2022

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Mid-America, ACA

(in thousands)

(Unaudited)

As of:	June 30,	December 31,
	2022	2021
ASSETS		
Loans	\$ 27,539,843	\$ 27,257,721
Allowance for loan losses	63,409	70,723
Net loans	27,476,434	27,186,998
Investment in AgriBank, FCB	931,205	864,105
Investment securities	961,906	834,625
Accrued interest receivable	210,966	202,544
Assets held for lease, net	26,244	36,774
Other assets	418,350	416,273
Total assets	\$ 30,025,105	\$ 29,541,319
LIABILITIES		
Note payable to AgriBank, FCB	\$ 24,241,870	\$ 23,745,489
Accrued interest payable	105,387	88,774
Deferred tax liabilities, net	4,882	4,068
Patronage distribution payable	110,449	210,000
Other liabilities	77,730	123,822
Total liabilities	24,540,318	24,172,153
Contingencies and commitments (Note 4)		
MEMBERS' EQUITY		
Capital stock and participation certificates	81,202	80,285
Unallocated surplus	5,404,427	5,289,781
Accumulated other comprehensive loss	(842)	(900)
Total members' equity	5,484,787	5,369,166
Total liabilities and members' equity	\$ 30,025,105	\$ 29,541,319

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Farm Credit Mid-America, ACA

(in thousands)

(Unaudited)

For the period ended June 30	Three Months Ended		Six Months Ended	
	2022	2021	2022	2021
Interest income	\$ 252,640	\$ 220,661	\$ 492,793	\$ 441,905
Interest expense	105,404	85,775	195,772	171,424
Net interest income	147,236	134,886	297,021	270,481
Reversal of credit losses	(3,788)	--	(6,451)	--
Net interest income after reversal of credit losses	151,024	134,886	303,472	270,481
Non-interest income				
Patronage income	44,901	41,310	84,579	75,885
Financially related services income	427	629	1,186	1,112
Fee income	14,418	18,932	25,828	30,010
Operating lease income	1,394	1,249	2,665	5,494
Other non-interest income, net	505	355	(335)	2,678
Total non-interest income	61,645	62,475	113,923	115,179
Non-interest expense				
Salaries and employee benefits	54,244	54,814	109,299	106,244
Other operating expense	41,483	33,779	76,348	62,734
Other non-interest expense	993	1,125	984	1,320
Total non-interest expense	96,720	89,718	186,631	170,298
Income before income taxes	115,949	107,643	230,764	215,362
Provision for income taxes	3,692	1,844	7,356	4,729
Net income	\$ 112,257	\$ 105,799	\$ 223,408	\$ 210,633
Other comprehensive income				
Employee benefit plans activity	\$ 29	\$ 27	\$ 58	\$ 54
Total other comprehensive income	29	27	58	54
Comprehensive income	\$ 112,286	\$ 105,826	\$ 223,466	\$ 210,687

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Mid-America, ACA

(in thousands)

(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2020	\$ 77,157	\$ 5,068,119	\$ (948)	\$ 5,144,328
Net income	--	210,633	--	210,633
Other comprehensive income	--	--	54	54
Unallocated surplus designated for patronage distributions	--	(134,318)	--	(134,318)
Capital stock and participation certificates issued	5,857	--	--	5,857
Capital stock and participation certificates retired	(4,132)	--	--	(4,132)
Balance at June 30, 2021	\$ 78,882	\$ 5,144,434	\$ (894)	\$ 5,222,422
Balance at December 31, 2021	\$ 80,285	\$ 5,289,781	\$ (900)	\$ 5,369,166
Net income	--	223,408	--	223,408
Other comprehensive income	--	--	58	58
Unallocated surplus designated for patronage distributions	--	(108,762)	--	(108,762)
Capital stock and participation certificates issued	4,573	--	--	4,573
Capital stock and participation certificates retired	(3,656)	--	--	(3,656)
Balance at June 30, 2022	\$ 81,202	\$ 5,404,427	\$ (842)	\$ 5,484,787

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim financial information and conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the six months ended June 30, 2022, are not necessarily indicative of the results to be expected for the year ending December 31, 2022. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2021 (2021 Annual Report).

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

Recently Issued or Adopted Accounting Pronouncements

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

Standard and effective date	Description	Adoption status and financial statement impact
In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amended the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	We expect to adopt the standard as of January 1, 2023. The development and validation of our model to estimate credit losses for our loan portfolio is substantially complete. Processes and internal controls related to the model and the estimation of credit losses for loans are currently being designed. We are in the process of drafting disclosures and accounting policies. The extent of the impact on our financial statements will depend on economic conditions, forecasts and the composition of our loan and investment portfolios at the time of adoption.
In March 2022, the FASB issued ASU 2022-02 "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures." The guidance is effective at the same time that ASU 2016-13 is adopted.	This guidance eliminates the accounting guidance for troubled debt restructurings by creditors in Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinances and restructurings.	We intend to adopt the standard concurrently with the adoption of ASU 2016-13 as amended. The adoption of this guidance is not expected to have a material impact on our financial statements, but will modify certain disclosures required under ASU 2016-13.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	June 30, 2022		December 31, 2021	
	Amount	%	Amount	%
Real estate mortgage	\$ 17,669,373	64.2%	\$ 17,421,250	63.9%
Production and intermediate-term	4,403,860	16.0%	4,689,759	17.2%
Agribusiness	3,305,936	12.0%	2,883,053	10.6%
Rural residential real estate	825,859	3.0%	888,414	3.3%
Finance leases and other	1,334,815	4.8%	1,375,245	5.0%
Total	\$ 27,539,843	100.0%	\$ 27,257,721	100.0%

The finance leases and other category is primarily composed of certain assets originated under the mission related investment authority and rural infrastructure related loans, as well as lease receivables.

Delinquency

Aging Analysis of Loans

(in thousands)	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
As of June 30, 2022						
Real estate mortgage	\$ 26,046	\$ 20,273	\$ 46,319	\$ 17,760,967	\$ 17,807,286	\$ 778
Production and intermediate-term	18,847	9,003	27,850	4,412,162	4,440,012	40
Agribusiness	--	123	123	3,319,921	3,320,044	--
Rural residential real estate	2,826	1,937	4,763	823,782	828,545	979
Finance leases and other	84,523	151,761	236,284	1,113,052	1,349,336	151,581
Total	\$ 132,242	\$ 183,097	\$ 315,339	\$ 27,429,884	\$ 27,745,223	\$ 153,378
As of December 31, 2021						
Real estate mortgage	\$ 15,005	\$ 23,299	\$ 38,304	\$ 17,516,294	\$ 17,554,598	\$ --
Production and intermediate-term	3,403	10,818	14,221	4,710,918	4,725,139	--
Agribusiness	--	105	105	2,894,400	2,894,505	--
Rural residential real estate	3,705	1,705	5,410	885,749	891,159	--
Finance leases and other	114,838	67,288	182,126	1,207,899	1,390,025	67,123
Total	\$ 136,951	\$ 103,215	\$ 240,166	\$ 27,215,260	\$ 27,455,426	\$ 67,123

Note: Accruing loans include accrued interest receivable.

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

Risk Loan Information

(in thousands)	June 30, 2022	December 31, 2021
As of:		
Volume with specific allowance	\$ 14,712	\$ 11,669
Volume without specific allowance	285,578	213,180
Total risk loans	\$ 300,290	\$ 224,849
Total specific allowance	\$ 5,887	\$ 7,465
For the six months ended June 30	2022	2021
Income on accrual risk loans	\$ 2,626	\$ 1,985
Income on non-accrual loans	5,106	6,821
Total income on risk loans	\$ 7,732	\$ 8,806
Average risk loans	\$ 255,134	\$ 282,944

Note: Accruing loans include accrued interest receivable.

We had no material commitments to lend additional money to borrowers whose loans were classified as risk loans at June 30, 2022.

Troubled Debt Restructurings (TDRs)

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

TDR Activity

(in thousands)

Six months ended June 30	2022		2021	
	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	\$ --	\$ --	\$ 461	\$ 461
Production and intermediate-term	642	642	48	48
Total	\$ 642	\$ 642	\$ 509	\$ 509

Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.

The primary types of modification included interest rate reduction below market and forgiveness of principal and interest.

TDRs that Occurred Within the Previous 12 Months that Subsequently Defaulted During the Six Months Ended June 30,

(in thousands)	2022	2021
Real estate mortgage	\$ --	\$ 108
Production and intermediate-term	--	26
Total	\$ --	\$ 134

TDRs Outstanding

(in thousands)	June 30, 2022	December 31, 2021
As of:	2022	2021
Accrual status:		
Real estate mortgage	\$ 11,256	\$ 12,411
Production and intermediate-term	2,609	1,880
Rural residential real estate	1,409	1,480
Total TDRs in accrual status	\$ 15,274	\$ 15,771
Non-accrual status:		
Real estate mortgage	\$ 7,906	\$ 9,299
Production and intermediate-term	1,641	2,100
Rural residential real estate	305	350
Total TDRs in nonaccrual status	\$ 9,852	\$ 11,749
Total TDRs:		
Real estate mortgage	\$ 19,162	\$ 21,710
Production and intermediate-term	4,250	3,980
Rural residential real estate	1,714	1,830
Total TDRs	\$ 25,126	\$ 27,520

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

Allowance for Loan Losses**Changes in Allowance for Loan Losses**

(in thousands)

Six months ended June 30	2022	2021
Balance at beginning of period	\$ 70,723	\$ 82,867
Reversal of loan losses	(7,190)	--
Loan recoveries	1,095	1,162
Loan charge-offs	(1,219)	(2,234)
Balance at end of period	\$ 63,409	\$ 81,795

The "Reversal of credit losses" in the Consolidated Statements of Comprehensive Income includes a reversal of loan losses as presented in the previous chart, as well as a provision for credit losses on unfunded commitments. The accrued credit losses on unfunded commitments are recorded in "Other liabilities" in the Consolidated Statements of Condition. Typically, accrued credit losses are relieved and replaced with an allowance for loan loss as the related commitments are funded.

Credit Loss Information on Unfunded Commitments

(in thousands)

For the six months ended June 30	2022	2021
Provision for credit losses	\$ 739	\$ --
As of:	June 30, 2022	December 31, 2021
Accrued credit losses	\$ 8,050	\$ 7,310

NOTE 3: INVESTMENT SECURITIES

We held investment securities of \$961.9 million at June 30, 2022, and \$834.6 million at December 31, 2021. Our investment securities consisted of pools of loans guaranteed by the Small Business Administration (SBA), except for \$5.9 million at June 30, 2022, and \$6.1 million at December 31, 2021, of which were not guaranteed.

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

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

Additional Investment Securities Information

(dollars in thousands)	Weighted Average Yield	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
As of June 30, 2022					
MBS	0.6%	\$ 751,194	\$ --	\$ 70,296	\$ 680,898
ABS	0.8%	210,712	--	15,220	195,492
Total	0.6%	\$ 961,906	\$ --	\$ 85,516	\$ 876,390
As of December 31, 2021					
MBS	0.6%	\$ 592,533	\$ 8,528	\$ 2,763	\$ 598,298
ABS	0.8%	242,092	7,553	207	249,438
Total	0.7%	\$ 834,625	\$ 16,081	\$ 2,970	\$ 847,736

Investment income is recorded in "Interest income" in the Consolidated Statements of Comprehensive Income and totaled \$2.7 million and \$2.8 million for the six months ended June 30, 2022, and 2021, respectively.

Contractual Maturities of Investment Securities

(in thousands)

As of June 30, 2022	Amortized Cost
Less than one year	\$ 60
One to five years	1,743
Five to ten years	114,340
More than ten years	845,763
Total	\$ 961,906

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

(in thousands)	Less than 12 months		Greater than 12 months	
As of June 30, 2022	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS	\$ 542,055	\$ 50,686	\$ 138,041	\$ 19,610
ABS	173,230	12,517	22,262	2,703
Total	\$ 715,285	\$ 63,203	\$ 160,303	\$ 22,313

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

Unrealized losses associated with investment securities are not considered to be other-than-temporary due to the 100% guarantee of the principal by the U.S. government. However, the premiums paid to purchase the investment are not guaranteed and are amortized over the weighted average maturity of each loan as a reduction of interest income. Repayment of principal is assessed at least quarterly, and any remaining unamortized premium is taken as a reduction to interest income if principal repayment is unlikely, or when a demand for payment is made for the guarantee. At June 30, 2022, the majority of the \$85.5 million unrealized loss represents unamortized premium.

NOTE 4: CONTINGENCIES AND COMMITMENTS

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

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

Refer to Note 11 in our 2021 Annual Report for additional detail regarding contingencies and commitments.

NOTE 5: FAIR VALUE MEASUREMENTS

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

We did not have any assets or liabilities measured at fair value on a recurring basis at June 30, 2022, or December 31, 2021.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of June 30, 2022	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Impaired loans	\$ --	\$ --	\$ 9,266	\$ 9,266
Other property owned	--	--	448	448
As of December 31, 2021	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Impaired loans	\$ --	\$ --	\$ 4,415	\$ 4,415
Other property owned	--	--	1,348	1,348

Valuation Techniques

Impaired Loans: Represents the carrying amount of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they are classified as Level 3.

Other Property Owned: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 6: SUBSEQUENT EVENTS

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