
Farm Credit of Florida, ACA

THIRD QUARTER 2022

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CERTIFICATION

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

/s/ Marcus A. Boone
Chief Executive Officer

/s/ Laura Craker
Chief Financial Officer

/s/ W. Eric Hopkins
Chairman of the Board

November 8, 2022

Report on Internal Control Over Financial Reporting

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

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

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

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

/s/ Marcus A. Boone
Chief Executive Officer

/s/ Laura Craker
Chief Financial Officer

November 8, 2022

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

(dollars in thousands)

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

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

COVID-19

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

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

LOAN PORTFOLIO

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

On September 28th, Hurricane Ian made landfall near Cayo Costa in Southwest Florida as a strong Category 4 Hurricane. Ian thrashed parts of Florida's western coast, bringing intense winds, heavy rainfall, and catastrophic storm surges. The path of the hurricane took it across the peninsula traveling through

central Florida. Due to the large size of Ian, all of the Association's territory was impacted by the storm in some degree with the southwest region being the most severe. Preliminary reports indicate catastrophic levels of flooding and wind damage to crops, livestock, structures and infrastructure throughout Florida especially in the Citrus industry. The most noted impact is a significant loss of the 2022-23 citrus crop. Other agricultural industry segments reporting negative impacts include dairy, cattle, south field crops and some northern fern operations. Management continues to assess and quantify the financial impact this storm will have on our customers and the Association. Some credit quality deterioration and credit losses are expected. Loss reduction options that are available for some of our customers, such as the use of loan guarantees, crop insurance, and federal disaster relief, will help to mitigate the losses associated with this storm event. The Association is well capitalized and maintains adequate allowance for loan losses, which allows us to withstand stress in our loan portfolio.

Supply constraints and robust consumer demand have led to marked increases in the prices of many goods and services, pushing the CPI inflation rate up to 8.3% as of August 2022. Over the last 12 months, all items less food and energy index rose 6.3%, the energy index increased 23.8% while the food index increased 11.4%, the largest 12 month increase since 1979. Bottlenecks remain severe across supply chains and consumer goods inflation has rocketed to a 40+ year high as a result, clearly outpacing average consumer wage gains. Also, Russia's invasion of Ukraine has made supply problems and inflation worse. Notwithstanding, the Florida unemployment rate was 2.7% at the end of August 2022, comparing favorably to the national average of 3.7% which is back down to the level when Florida's economy entered the pandemic with an unemployment rate of 2.7%. Florida's unemployment rate has rebounded after exceeding 14% earlier in 2020. Despite the improvement, management will monitor any potential lingering impacts on its borrowers and loan portfolio as some credit quality deterioration and credit losses may occur. The Association is well capitalized and maintains an adequate allowance for loan losses allowing us to withstand stress in our loan portfolio.

Most commodity groups within the portfolio have experienced generally favorable operating results over the last two production seasons; however, citrus producers remain impacted by citrus greening disease and now Hurricane Ian storm impact. The various challenges from citrus greening disease has caused reduced production and declines in overall profitability for most producers. The final USDA production report indicates a 22%

decrease in production for the 2021-2022 citrus crop, following a 21% decline the previous season. The USDA's current season forecast, which does not include potential storm impact, is a further 32% decline. Despite these factors, the Association's citrus portfolio has continued to perform satisfactorily with performance issues isolated to only a few stressed growers. The dairy industry has also remained under stress due to supply and demand dynamics, in addition to the recent rise in feed costs. Most of the Association's dairy loans are to the fluid milk producers who had experienced depressed commodity prices for several years. While price has improved significantly now approaching all-time highs for many producers, increasing feed costs has kept most producers below profitable levels. Due to these significant stresses, a large portion of the Association's dairy loan portfolio remains criticized.

The horticultural or nursery segment remains satisfactory as residential construction and the overall housing market continues to see stable demand, although certain areas are showing signs of a slowdown due to rising interest rates. The forestry industry has also experienced favorable conditions backed by an improving housing market, although global trade remains a concern. The beef cattle industry had seen declining price trends for several periods prior to stabilizing in late 2020 with continued improvement through 2021 as processors worked through the backlog of supply and demand remains strong. Most cattle producers are expected to remain profitable, albeit below historical levels as feed and transportation costs stay elevated.

Farm size varies throughout the regions and many borrowers have diversified farming operations. This factor, along with numerous opportunities for non-farm income in the territory, reduces the level of repayment dependency on a single agricultural commodity. Land values in the north region continue to exhibit stability since their improvement in 2014 with some areas increasing in value. Land values in the south region show stability with values increasing in more urban areas. Overall, land value sale surveys indicate land values are stable with increasing trends seen in certain segments.

The gross loan volume of the Association as of September 30, 2022, was \$1,457,682, an increase of \$55,987 or 3.99 percent as compared to \$1,401,695 at December 31, 2021. Net loans outstanding at September 30, 2022, were \$1,449,317 as compared to \$1,392,617 at December 31, 2021, an increase of \$56,700 or 4.07 percent. Net loans accounted for 97.27 percent of total assets at September 30, 2022, as compared to 96.14 percent of total assets at December 31, 2021. The increase in both gross and net loan volume during the period is primarily attributed to increased demand for credit in the market and a concerted marketing effort by Association lenders.

Competition continues to be strong in the large loan segment. Activity in small and middle market loans in the north region continues to be strong as well. Management has noted loan demand remains stable year to date 2022 in both the originated and the participations purchased loan portfolio, although real estate sales have shown some softening while continuing to

reflect a high number of cash transactions reducing potential financing opportunities.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality improved compared to year end 2021 as a result of a decline in substandard and OAEM loans along with growth in acceptable loans. The primary decrease in substandard loans is due to liquidations primarily in the dairy commodity group and principal reductions from collateral sales. The primary decrease in OAEM loans is due to improvement and liquidations of loans in the equine commodity group. Acceptable and OAEM credit quality, as a percentage of the total loan portfolio, was 98.38 percent as of September 30, 2022 compared to 97.98 percent at December 31, 2021.

During the nine months of 2022, nonaccrual loans decreased by \$3,246 or 69.82 percent to 1,403 at September 30, 2022 from \$4,649 at December 31, 2021. The decrease in nonaccrual loans is attributed to liquidations and curtailments received primarily in the nursery and dairy industries. At September 30, 2022, there were no properties in other property owned and no activity during the quarter. Therefore, other property owned at September 30, 2022 remained at a zero balance since December 31, 2021.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at September 30, 2022, was \$8,365 compared to \$9,078 at December 31, 2021. This decrease is due to lower specific reserves required on impaired loans and lower reserves required from improvement in credit quality during the period. Recoveries of \$586 recorded during the nine months ended September 30, 2022 were primarily in the dairy industry and charge-offs of \$60 were mostly in the dairy industry. Management considers the current level of allowance adequate to cover additional possible losses. The ratio of the allowance for loan losses to gross loans at September 30, 2022 was 0.57 percent.

The allowance for loan losses at September 30, 2022 does not include \$625 thousand of net purchase discounts related to acquired loans. The allowance for these loans was not carried forward at acquisition per accounting guidance. However, they were purchased at a net discount, which is the direct reduction to the recorded loan amount, to reflect the credit and market metrics related to the acquired portfolios. At September 30, 2022, the amount of credit risk reduction in addition to the allowance for loan losses, provided by these remaining discounts would equate to 0.04 percent of gross loans.

RESULTS OF OPERATIONS

For the three months ended September 30, 2022

The Association recorded net income for the three months ended September 30, 2022 of \$8,211 as compared to \$6,482 for the same period in 2021. This \$1,729 or 26.67 percent increase is

primarily attributed to an increase in net interest income along with an increase in reversal of allowance for loan losses.

Reversal of allowance for loan losses was \$975 for the three months ended September 30, 2022 as compared to a reversal of allowance for loan losses of \$200 during the same period in 2021, an increase in the reversal of allowance of \$775 or 387.50 percent. This increase in the reversal is attributed to higher recoveries in the current year compared to the prior year. Net loan recoveries were \$459 during the three months ended September 30, 2022 compared to net loan recoveries of 53 for the same period in 2021, an increase in net loan recoveries of \$406.

Net interest income increased \$1,012 or 11.55 percent for the three months ended September 30, 2022, as compared to the same period in 2021. This increase is attributed to higher interest on loan volume growth over the last 12 months and higher interest income on variable rate loans resulting from increasing of the target range for the federal funds rate by the Federal Reserve during 2022.

Noninterest income for the three months ended September 30, 2022, totaled \$3,818 as compared to \$3,858 for the same period of 2021, a decrease of \$40 or 1.04 percent. This decrease is attributed primarily to a decrease in gains on sales of rural home loans offset by an increase in patronage refunds from other Farm Credit institutions.

Noninterest expense for the three months ended September 30, 2022, totaled \$6,359 as compared to \$6,341 for the same period of 2021, an increase of \$18 or 0.28 percent. The primary reason for the increase is attributed to \$125 increase in other operating expenses from higher in-person travel, events, and training costs along with a \$131 increase in insurance fund premiums resulting from an increase in the FCSIC insurance premium assessment rate. Increases were offset by a decrease of \$146 in salary and employee benefits due to a decrease in employee retirement expense.

For the nine months ended September 30, 2022

Net income for the nine months ended September 30, 2022 totaled \$22,900 compared to \$20,741 for the same period in 2021, an increase of \$2,159 or 10.41 percent. The increase is primarily attributed to an increase in net interest income offset by a decrease in reversal of allowance for loan losses.

Reversal of allowance for loan losses was \$1,239 for the nine months ended September 30, 2022 as compared to a reversal of allowance for loan losses of \$1,580 during the same period in 2021, a decrease in the reversal of allowance of \$341 or 21.58 percent. This decrease in the reversal is attributed to a decrease in specific reserves required in the prior year and a decrease in net recoveries compared to the same period in 2021. Net loan recoveries were \$526 during the nine months ended September 30, 2022 compared to net loan recoveries of \$586 for the same period in 2021, a decrease in net loan recoveries of \$60.

Net interest income was \$29,242 for the nine months ended September 30, 2022 as compared to \$26,479 during the same period in 2021. The change in net interest income represents a \$2,763 or 10.43 percent increase when compared to the same period last year and is attributed to higher interest from loan volume growth over the last 12 months, more interest recoveries on nonaccrual loan liquidations, and higher interest income on variable rate loans resulting from increasing of the target range for the federal funds rate by the Federal Reserve during 2022.

Noninterest income for the nine months ended September 30, 2022, totaled \$11,647 as compared to \$11,631 for the same period of 2021, an increase of \$16 or 0.14 percent. This increase is attributed primarily to increases in patronage refunds from other Farm Credit institutions and fees for financially related services. Increases were offset by decreases in gains on other transactions and sales of rural home loans.

Noninterest expense for the nine months ended September 30, 2022, totaled \$19,228 as compared to \$18,949 for the same period of 2021, an increase of \$279 or 1.47 percent. The primary reason for the increase is attributed to \$577 increase in other operating expenses from higher in-person travel, events, and training costs along with a \$368 increase in insurance fund premiums resulting from an increase in the FCSIC insurance premium assessment rate. The increases were offset by a \$507 decrease in salaries and employee benefits due to a decrease in employee retirement expense.

LIQUIDITY AND FUNDING SOURCES

Liquidity

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

Funding Sources

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

The total notes payable to the Bank at September 30, 2022 was \$1,129,843 as compared to \$1,094,413 at December 31, 2021. The increase during the period of \$35,430 is primarily attributed to an increase in loan volume during the period offset by an increase in members' equity resulting from net income for the nine months ended September 30, 2022 and receipt of 2021 patronage dividends due from AgFirst Farm Credit Bank during the period.

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

Funds Management

The Bank and the Association manage assets and liabilities to provide a broad range of loan products and funding options, which are designed to allow the Association to be competitive in all interest rate environments. The primary objective of the asset/liability management process is to provide stable and rising

earnings, while maintaining adequate capital levels by managing exposure to credit and interest rate risks.

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

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

CAPITAL RESOURCES

Total members' equity at September 30, 2022, increased to \$342,228 from the December 31, 2021 total of \$319,807. The increase is primarily attributed to net income during the period.

Total capital stock and participation certificates were \$2,926 on September 30, 2022, compared to \$3,413 on December 31, 2021. The decrease is attributed to retirement of capital stock on loans liquidated in the ordinary course of business.

Regulatory Capital Ratios

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

	Regulatory Minimum, Including Buffer*	9/30/2022	12/31/2021	9/30/2021
Common Equity Tier 1 (CET1) Capital Ratio	7.0%	19.77%	19.45%	19.14%
Tier 1 Capital Ratio	8.5%	19.77%	19.45%	19.14%
Total Capital Ratio	10.5%	20.35%	20.06%	19.77%
Permanent Capital Ratio	7.0%	19.88%	19.56%	19.26%
Tier 1 Leverage Ratio**	5.0%	22.34%	22.13%	21.88%
Unallocated Retained Earnings (URE) and URE Equivalents Leverage Ratio	1.5%	18.22%	18.01%	17.75%

*Includes fully phased-in capital conservation buffers which became effective January 1, 2020.

** The Tier 1 Leverage Ratio must include a minimum of 1.50% of URE and URE Equivalents.

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

The permanent capital, CET1, tier 1, and total capital ratios are calculated by dividing the three-month average daily balance of the capital numerator, as defined by the FCA, by a risk-adjusted asset base. Unlike these ratios, the tier 1 leverage and URE and URE equivalents leverage ratios do not incorporate any risk-adjusted weighting of assets. Risk-adjusted assets refer to the total dollar amount of the institution's assets adjusted by an appropriate

credit conversion factor as defined by regulation. Generally, higher credit conversion factors are applied to assets with more inherent risk. The tier 1 leverage and URE and URE equivalents leverage ratios are calculated by dividing the three-month average daily balance of the capital numerator, as defined by the FCA, by the three-month average daily balance of total assets adjusted for regulatory deductions.

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

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

REGULATORY MATTERS

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

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

LIBOR Transition

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

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

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

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

<i>(dollars in thousands)</i>	Due in 2022	Due in 2023 (On or Before June 30)	Due After June 30, 2023	Total
Loans	\$ 7,910	\$ 3,000	\$ 228,645	\$ 239,555
Total	\$ 7,910	\$ 3,000	\$ 228,645	\$ 239,555
Note Payable to AgFirst				
Farm Credit Bank	6,024	2,285	174,120	182,429
Total	\$ 6,024	\$ 2,285	\$ 174,120	\$ 182,429

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

OTHER MATTERS

During the third quarter of 2015, the Association entered into an agreement with and began providing certain standard and as-requested optional or negotiated services to Puerto Rico Farm Credit, ACA for a fee. These services include, but do not fully cover and are not limited to, accounting, reporting, risk management, human resources, and loan on-boarding and servicing. The agreement is expected to leverage synergies and realize operating efficiencies and savings for both institutions. Both institutions are required to meet specified obligations under the agreement, which is automatically renewable for a one year term unless terminated by either institution with 180 days prior written notice or sooner if specified obligations are not satisfied. On March 1, 2022, the Association provided notice of non-renewal of the services agreement effective on the annual renewal date in September 2022. During the third quarter 2022, the parties agreed to extend the termination date to November 15, 2022.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

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

Summary of Guidance	Adoption and Potential Financial Statement Impact
<i>ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</i>	
- Replaces multiple existing impairment standards by establishing a single framework for financial assets to reflect management’s estimate of current expected credit losses (CECL) over the entire remaining life of the financial assets. - Changes the present incurred loss impairment guidance for loans to an expected loss model. - Modifies the other-than-temporary impairment model for debt securities to require an allowance for credit impairment instead of a direct write-down, which allows for reversal of credit impairments in future periods based on improvements in credit quality. - Eliminates existing guidance for purchased credit impaired (PCI) loans, and requires recognition of an allowance for expected credit losses on these financial assets. - Requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption. - Effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application is permitted.	- Implementation efforts began with establishing a cross-discipline governance structure utilizing common guidance developed across the Farm Credit System. The implementation includes identification of key interpretive issues, scoping of financial instruments, and assessing existing credit loss forecasting models and processes against the new guidance. - The new guidance is expected to result in a change in allowance for credit losses due to several factors, including: - The allowance related to loans and commitments will most likely change because it will then cover credit losses over the full remaining expected life of the portfolio, and will consider expected future changes in macroeconomic conditions, - An allowance will be established for estimated credit losses on any debt securities, - The nonaccretable difference on any PCI loans will be recognized as an allowance, offset by an increase in the carrying value of the related loans. - The extent of allowance change is under evaluation, but will depend upon the nature and characteristics of the financial instrument portfolios, and the macroeconomic conditions and forecasts, at the adoption date. - The guidance is expected to be adopted January 1, 2023.
<i>ASU 2022-02 Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures</i>	
- This Update responds to feedback received during the Post Implementation Review process conducted by the FASB related to Topic 326. <u>Troubled Debt Restructurings (TDRs) by Creditors</u> The amendments eliminate the accounting guidance for TDRs by creditors in Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance in paragraphs 310-20-35-9 through 35-11 to determine whether a modification results in a new loan or a continuation of an existing loan. <u>Vintage Disclosures—Gross Writeoffs</u> For public business entities, the amendments in this Update require that an entity disclose current period gross writeoffs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost.	These amendments will be implemented in conjunction with the adoption of ASU 2016-13.
<i>ASU 2022-03—Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions</i>	
- This Update clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. It also clarifies that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. - The guidance clarifies accounting principles for measuring the fair value of an equity security subject to a contractual sale restriction and improves current GAAP by reducing diversity in practice, reducing cost and complexity, and increasing comparability of financial information across reporting entities. - The amendments also require certain disclosures for equity securities subject to contractual sale restrictions.	- For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, and interim periods within those fiscal years. - For all entities except investment companies, the Update should be applied prospectively with any adjustments from adoption recognized in earnings. - Early adoption is permitted.

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

Farm Credit of Florida, ACA

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	September 30, 2022 <i>(unaudited)</i>	December 31, 2021 <i>(audited)</i>
Assets		
Cash	\$ 15	\$ 16
Investments in debt securities:		
Held to maturity (fair value of \$2,253 and \$2,769, respectively)	2,140	2,286
Loans	1,457,682	1,401,695
Allowance for loan losses	(8,365)	(9,078)
Net loans	1,449,317	1,392,617
Loans held for sale	96	893
Accrued interest receivable	7,974	6,146
Equity investments in other Farm Credit institutions	13,812	13,775
Premises and equipment, net	8,009	8,226
Accounts receivable	7,268	23,727
Other assets	1,327	915
Total assets	\$ 1,489,958	\$ 1,448,601
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 1,129,843	\$ 1,094,413
Accrued interest payable	3,005	2,064
Patronage refunds payable	359	17,809
Accounts payable	4,549	4,752
Advanced conditional payments	4,459	2,837
Other liabilities	5,515	6,919
Total liabilities	1,147,730	1,128,794
Commitments and contingencies (Note 8)		
Members' Equity		
Protected borrower stock	445	445
Capital stock and participation certificates	2,481	2,968
Additional paid-in-capital	7,873	7,873
Retained earnings		
Allocated	136,542	135,975
Unallocated	195,116	172,785
Accumulated other comprehensive income (loss)	(229)	(239)
Total members' equity	342,228	319,807
Total liabilities and members' equity	\$ 1,489,958	\$ 1,448,601

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

Farm Credit of Florida, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
<i>(dollars in thousands)</i>				
Interest Income				
Loans	\$ 18,352	\$ 14,876	\$ 50,839	\$ 44,766
Investments	30	28	83	86
Total interest income	18,382	14,904	50,922	44,852
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	8,605	6,139	21,680	18,373
Net interest income	9,777	8,765	29,242	26,479
Provision for (reversal of) allowance for loan losses	(975)	(200)	(1,239)	(1,580)
Net interest income after provision for (reversal of) allowance for loan losses	10,752	8,965	30,481	28,059
Noninterest Income				
Loan fees	308	302	1,021	998
Fees for financially related services	988	952	2,946	2,778
Lease income	12	12	35	35
Patronage refunds from other Farm Credit institutions	2,414	2,271	7,189	6,880
Gains (losses) on sales of rural home loans, net	66	180	363	547
Gains (losses) on sales of premises and equipment, net	1	42	3	82
Gains (losses) on other transactions	(48)	4	(185)	35
Other noninterest income	77	95	275	276
Total noninterest income	3,818	3,858	11,647	11,631
Noninterest Expense				
Salaries and employee benefits	4,454	4,600	13,353	13,860
Occupancy and equipment	309	308	920	938
Insurance Fund premiums	541	410	1,600	1,232
Purchased services	162	261	532	676
Data processing	44	38	109	133
Other operating expenses	849	724	2,714	2,137
(Gains) losses on other property owned, net	—	—	—	(27)
Total noninterest expense	6,359	6,341	19,228	18,949
Net income	\$ 8,211	\$ 6,482	\$ 22,900	\$ 20,741
Other comprehensive income net of tax				
Employee benefit plans adjustments	3	4	10	11
Comprehensive income	\$ 8,214	\$ 6,486	\$ 22,910	\$ 20,752

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

Farm Credit of Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

<i>(dollars in thousands)</i>	Protected Borrower Stock	Capital Stock and Participation Certificates	Additional Paid-in-Capital	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
				Allocated	Unallocated		
Balance at December 31, 2020	\$ 445	\$ 2,803	\$ 7,873	\$ 127,974	\$ 158,384	\$ (261)	\$ 297,218
Comprehensive income					20,741	11	20,752
Capital stock/participation certificates issued/(retired), net		58					58
Patronage distribution adjustment				1,208	(1,211)		(3)
Balance at September 30, 2021	\$ 445	\$ 2,861	\$ 7,873	\$ 129,182	\$ 177,914	\$ (250)	\$ 318,025
Balance at December 31, 2021	\$ 445	\$ 2,968	\$ 7,873	\$ 135,975	\$ 172,785	\$ (239)	\$ 319,807
Comprehensive income					22,900	10	22,910
Capital stock/participation certificates issued/(retired), net		(487)					(487)
Patronage distribution adjustment				567	(569)		(2)
Balance at September 30, 2022	\$ 445	\$ 2,481	\$ 7,873	\$ 136,542	\$ 195,116	\$ (229)	\$ 342,228

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

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)

(unaudited)

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

Organization

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

Basis of Presentation

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

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

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

Significant Accounting Policies

The Association's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for loan losses (Note 2, *Loans and Allowance for Loan Losses*), investment securities and other-than-temporary impairment (Note 3, *Investments*), and financial instruments (Note 6, *Fair Value Measurement*). Actual results could differ from those estimates.

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

Accounting Standards Effective During the Period

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

Note 2 — Loans and Allowance for Loan Losses

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

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

A summary of loans outstanding at period end follows:

	September 30, 2022	December 31, 2021
Real estate mortgage	\$ 829,876	\$ 812,859
Production and intermediate-term	219,707	240,827
Loans to cooperatives	31,767	35,781
Processing and marketing	185,262	153,768
Farm-related business	47,121	38,326
Communication	70,227	62,935
Power and water/waste disposal	28,135	22,916
Rural residential real estate	20,816	18,010
International	19,787	11,011
Other (including Mission Related)	4,984	5,262
Total loans	\$ 1,457,682	\$ 1,401,695

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

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

September 30, 2022									
Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total			
Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold		
Real estate mortgage	\$ 27,845	\$ 90,035	\$ 432	\$ —	\$ —	\$ —	\$ 28,277	\$ 90,035	
Production and intermediate-term	59,248	18,657	1,890	400	3,388	—	64,526	19,057	
Loans to cooperatives	31,804	—	—	—	—	—	31,804	—	
Processing and marketing	160,539	52,861	—	77,399	—	—	160,539	130,260	
Farm-related business	—	19,485	1,770	572	786	—	2,556	20,057	
Communication	70,290	—	—	—	—	—	70,290	—	
Power and water/waste disposal	28,215	—	—	—	—	—	28,215	—	
International	19,818	—	—	—	—	—	19,818	—	
Other (including Mission Related)	—	—	—	—	2,861	—	2,861	—	
Total	\$ 397,759	\$ 181,038	\$ 4,092	\$ 78,371	\$ 7,035	\$ —	\$ 408,886	\$ 259,409	

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

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

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

	September 30, 2022	December 31, 2021		September 30, 2022	December 31, 2021
Real estate mortgage:			Communication:		
Acceptable	97.36%	95.84%	Acceptable	100.00%	100.00%
OAEM	1.77	2.37	OAEM	—	—
Substandard/doubtful/loss	0.87	1.79	Substandard/doubtful/loss	—	—
	100.00%	100.00%		100.00%	100.00%
Production and intermediate-term:			Power and water/waste disposal:		
Acceptable	87.91%	88.38%	Acceptable	100.00%	100.00%
OAEM	4.82	7.44	OAEM	—	—
Substandard/doubtful/loss	7.27	4.18	Substandard/doubtful/loss	—	—
	100.00%	100.00%		100.00%	100.00%
Loans to cooperatives:			Rural residential real estate:		
Acceptable	100.00%	100.00%	Acceptable	99.88%	99.39%
OAEM	—	—	OAEM	0.11	0.17
Substandard/doubtful/loss	—	—	Substandard/doubtful/loss	0.01	0.44
	100.00%	100.00%		100.00%	100.00%
Processing and marketing:			International:		
Acceptable	100.00%	100.00%	Acceptable	100.00%	100.00%
OAEM	—	—	OAEM	—	—
Substandard/doubtful/loss	—	—	Substandard/doubtful/loss	—	—
	100.00%	100.00%		100.00%	100.00%
Farm-related business:			Other (including Mission Related)		
Acceptable	92.15%	88.54%	Acceptable	100.00%	100.00%
OAEM	7.15	1.81	OAEM	—	—
Substandard/doubtful/loss	0.70	9.65	Substandard/doubtful/loss	—	—
	100.00%	100.00%		100.00%	100.00%
			Total loans:		
			Acceptable	96.41%	95.27%
			OAEM	1.97	2.71
			Substandard/doubtful/loss	1.62	2.02
				100.00%	100.00%

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

	September 30, 2022					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	
Real estate mortgage	\$ 396	\$ 182	\$ 578	\$ 834,505	\$ 835,083	
Production and intermediate-term	465	—	465	220,581	221,046	
Loans to cooperatives	—	—	—	31,847	31,847	
Processing and marketing	—	—	—	186,011	186,011	
Farm-related business	—	—	—	47,338	47,338	
Communication	—	—	—	70,294	70,294	
Power and water/waste disposal	—	—	—	28,204	28,204	
Rural residential real estate	14	—	14	20,903	20,917	
International	—	—	—	19,855	19,855	
Other (including Mission Related)	—	—	—	5,017	5,017	
Total	\$ 875	\$ 182	\$ 1,057	\$ 1,464,555	\$ 1,465,612	

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

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

	September 30, 2022	December 31, 2021
Nonaccrual loans:		
Real estate mortgage	\$ 534	\$ 2,476
Production and intermediate-term	629	1,852
Farm-related business	239	242
Rural residential real estate	1	79
Total	\$ 1,403	\$ 4,649
Accruing restructured loans:		
Real estate mortgage	\$ 270	\$ 533
Production and intermediate-term	—	80
Total	\$ 270	\$ 613
Accruing loans 90 days or more past due:		
Total	\$ —	\$ —
Total nonperforming loans	\$ 1,673	\$ 5,262
Other property owned	—	—
Total nonperforming assets	\$ 1,673	\$ 5,262
Nonaccrual loans as a percentage of total loans	0.10%	0.33%
Nonperforming assets as a percentage of total loans and other property owned	0.11%	0.38%
Nonperforming assets as a percentage of capital	0.49%	1.65%

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

	September 30, 2022	December 31, 2021
Impaired nonaccrual loans:		
Current as to principal and interest	\$ 1,203	\$ 3,026
Past due	200	1,623
Total	\$ 1,403	\$ 4,649
Impaired accrual loans:		
Restructured	\$ 270	\$ 613
90 days or more past due	—	—
Total	\$ 270	\$ 613
Total impaired loans	\$ 1,673	\$ 5,262
Additional commitments to lend	\$ 95	\$ 95

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

	September 30, 2022			Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans:							
With a related allowance for credit losses:							
Real estate mortgage	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Production and intermediate-term	—	—	—	—	—	—	—
Farm-related business	—	—	—	—	—	—	—
Rural residential real estate	—	—	—	—	—	—	—
Total	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
With no related allowance for credit losses:							
Real estate mortgage	\$ 804	\$ 2,429	\$ —	\$ 1,292	\$ 177	\$ 2,238	\$ 1,007
Production and intermediate-term	629	810	—	1,010	139	1,750	788
Farm-related business	239	240	—	383	53	665	299
Rural residential real estate	1	107	—	2	—	3	1
Total	\$ 1,673	\$ 3,586	\$ —	\$ 2,687	\$ 369	\$ 4,656	\$ 2,095
Total impaired loans:							
Real estate mortgage	\$ 804	\$ 2,429	\$ —	\$ 1,292	\$ 177	\$ 2,238	\$ 1,007
Production and intermediate-term	629	810	—	1,010	139	1,750	788
Farm-related business	239	240	—	383	53	665	299
Rural residential real estate	1	107	—	2	—	3	1
Total	\$ 1,673	\$ 3,586	\$ —	\$ 2,687	\$ 369	\$ 4,656	\$ 2,095

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

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

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Power and Water/Waste Disposal	Rural Residential Real Estate	International	Other (including Mission Related)	Total
Activity related to the allowance for credit losses:									
Balance at June 30, 2022	\$ 2,858	\$ 4,025	\$ 1,612	\$ 181	\$ 112	\$ 83	\$ 9	\$ 1	\$ 8,881
Charge-offs	—	—	—	—	—	—	—	—	—
Recoveries	21	437	—	—	—	1	—	—	459
Provision for loan losses	33	(878)	(109)	(5)	(10)	(11)	5	—	(975)
Balance at September 30, 2022	\$ 2,912	\$ 3,584	\$ 1,503	\$ 176	\$ 102	\$ 73	\$ 14	\$ 1	\$ 8,365
Balance at December 31, 2021	\$ 3,166	\$ 4,038	\$ 1,541	\$ 171	\$ 78	\$ 74	\$ 9	\$ 1	\$ 9,078
Charge-offs	—	(60)	—	—	—	—	—	—	(60)
Recoveries	89	467	—	—	—	30	—	—	586
Provision for loan losses	(343)	(861)	(38)	5	24	(31)	5	—	(1,239)
Balance at September 30, 2022	\$ 2,912	\$ 3,584	\$ 1,503	\$ 176	\$ 102	\$ 73	\$ 14	\$ 1	\$ 8,365
Balance at June 30, 2021	\$ 4,074	\$ 3,263	\$ 1,456	\$ 197	\$ 112	\$ 80	\$ 13	\$ 1	\$ 9,196
Charge-offs	—	—	—	—	—	—	—	—	—
Recoveries	53	—	—	—	—	—	—	—	53
Provision for loan losses	(485)	389	(61)	(44)	7	(2)	(4)	—	(200)
Balance at September 30, 2021	\$ 3,642	\$ 3,652	\$ 1,395	\$ 153	\$ 119	\$ 78	\$ 9	\$ 1	\$ 9,049
Balance at December 31, 2020	\$ 4,414	\$ 3,682	\$ 1,562	\$ 155	\$ 145	\$ 74	\$ 10	\$ 1	\$ 10,043
Charge-offs	—	(16)	—	—	—	—	—	—	(16)
Recoveries	407	194	—	—	—	1	—	—	602
Provision for loan losses	(1,179)	(208)	(167)	(2)	(26)	3	(1)	—	(1,580)
Balance at September 30, 2021	\$ 3,642	\$ 3,652	\$ 1,395	\$ 153	\$ 119	\$ 78	\$ 9	\$ 1	\$ 9,049
Allowance on loans evaluated for impairment:									
Individually	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Collectively	2,912	3,584	1,503	176	102	73	14	1	8,365
PCI**	—	—	—	—	—	—	—	—	—
Balance at September 30, 2022	\$ 2,912	\$ 3,584	\$ 1,503	\$ 176	\$ 102	\$ 73	\$ 14	\$ 1	\$ 8,365
Individually	\$ 92	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 92
Collectively	3,074	4,038	1,541	171	78	74	9	1	8,986
PCI**	—	—	—	—	—	—	—	—	—
Balance at December 31, 2021	\$ 3,166	\$ 4,038	\$ 1,541	\$ 171	\$ 78	\$ 74	\$ 9	\$ 1	\$ 9,078
Recorded investment in loans evaluated for impairment:									
Individually	\$ 629	\$ 629	\$ 239	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 1,498
Collectively	834,105	220,417	264,957	70,294	28,204	20,916	19,855	5,017	1,463,765
PCI**	349	—	—	—	—	—	—	—	349
Balance at September 30, 2022	\$ 835,083	\$ 221,046	\$ 265,196	\$ 70,294	\$ 28,204	\$ 20,917	\$ 19,855	\$ 5,017	\$ 1,465,612
Individually	\$ 2,784	\$ 1,932	\$ 242	\$ —	\$ —	\$ 79	\$ —	\$ —	\$ 5,037
Collectively	813,907	239,804	228,407	62,948	22,926	17,978	11,039	5,330	1,402,339
PCI**	446	—	—	—	—	—	—	—	446
Balance at December 31, 2021	\$ 817,137	\$ 241,736	\$ 228,649	\$ 62,948	\$ 22,926	\$ 18,057	\$ 11,039	\$ 5,330	\$ 1,407,822

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

**Purchased credit impaired loans.

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

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

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

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

	Total TDRs		Nonaccrual TDRs	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Real estate mortgage	\$ 283	\$ 1,671	\$ 13	\$ 1,138
Production and intermediate-term	—	982	—	902
Farm-related business	239	242	239	242
Rural residential real estate	1	1	1	1
Total loans	\$ 523	\$ 2,896	\$ 253	\$ 2,283
Additional commitments to lend	\$ —	\$ —		

Purchased Credit Impaired (PCI) Loans

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

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

	September 30, 2022
Real estate mortgage	\$ 349
Total loans	\$ 349

There was no allowance for loan losses related to these loans at September 30, 2022 or December 31, 2021. During the three and nine months ended September 30, 2022, provision for loan losses on these loans was an expense reversal of \$8 and \$24, respectively, compared with an expense reversal of \$17 and \$72 for the same periods in 2021. See above for a summary of changes in the total allowance for loan losses for the three and nine month periods ended September 30, 2022. There were no loans acquired during 2022 or 2021 for which it was probable at acquisition that all contractually required payments would not be collected.

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

Association did not have the information necessary to reasonably estimate cash flows expected to be collected to compute a yield.

Note 3 — Investments

Investments in Debt Securities

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

The Association's investments also consist of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment (MRI) program approved by the FCA. In its Conditions of Approval for the program, the FCA generally considers a RAB ineligible if its investment rating, based on the internal 14-point risk rating scale used to also grade loans, falls below 9 and requires System institutions to provide notification to the FCA when a security becomes ineligible. Any other bonds purchased under the MRI program, approved on a case-by-case basis by FCA, may have different eligibility requirements. At September 30, 2022, the Association held no RABs whose credit quality had deteriorated beyond the program limits.

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

September 30, 2022					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	\$ 1,519	\$ 127	\$ —	\$ 1,646	5.77%
ABSs	621	6	(20)	607	2.17
Total	\$ 2,140	\$ 133	\$ (20)	\$ 2,253	4.73%

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

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

September 30, 2022			
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	\$ —	\$ —	—%
After one year through five years	179	170	0.15
After five years through ten years	310	308	3.25
After ten years	1,651	1,775	5.50
Total	\$ 2,140	\$ 2,253	4.73%

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

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

September 30, 2022				
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABSs	\$ —	\$ —	\$ 460	\$ (20)

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

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

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

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

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

Equity Investments in Other Farm Credit System Institutions

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

Associations are required to maintain ownership in AgFirst (AgFirst or the Bank) in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owned 4.67 percent of the issued stock of the Bank as of September 30, 2022 net of any reciprocal investment. As of that date, the Bank's assets totaled \$41.7 billion and shareholders' equity totaled \$1.6 billion. The Bank's earnings were \$313 million for the first nine months of 2022. In addition, the Association held investments of \$1,823 related to other Farm Credit institutions.

Note 4 — Debt

Notes Payable to AgFirst Farm Credit Bank

The Association's indebtedness to the Bank represents borrowings by the Association to fund its earning assets. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and the contractual terms of the

revolving line of credit are contained in the General Financing Agreement (GFA). The GFA also defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants, among others.

Note 5 — Members' Equity

Accumulated Other Comprehensive Income (AOCI)

	Changes in Accumulated Other Comprehensive Income by Component (a)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Employee Benefit Plans:				
Balance at beginning of period	\$ (232)	\$ (254)	\$ (239)	\$ (261)
Other comprehensive income before reclassifications	—	—	—	—
Amounts reclassified from AOCI	3	4	10	11
Net current period other comprehensive income	3	4	10	11
Balance at end of period	\$ (229)	\$ (250)	\$ (229)	\$ (250)

	Reclassifications Out of Accumulated Other Comprehensive Income (b)				
	Three Months Ended September 30,		Nine Months Ended September 30,		Income Statement Line Item
	2022	2021	2022	2021	
Defined Benefit Pension Plans:					
Periodic pension costs	\$ (3)	\$ (4)	\$ (10)	\$ (11)	See Note 7.
Net amounts reclassified	\$ (3)	\$ (4)	\$ (10)	\$ (11)	

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

Note 6 — Fair Value Measurement

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

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

The classifications within the fair value hierarchy are as follows:

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

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

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

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

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

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

		September 30, 2022				
		Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
<u>Recurring Measurements</u>						
Assets:						
Assets held in trust funds	\$	857	\$ 857	\$ —	\$ —	\$ 857
Recurring Assets	\$	857	\$ 857	\$ —	\$ —	\$ 857
Liabilities:						
Recurring Liabilities	\$	—	\$ —	\$ —	\$ —	\$ —
<u>Nonrecurring Measurements</u>						
Assets:						
Impaired loans	\$	—	\$ —	\$ —	\$ —	\$ —
Other property owned	\$	—	\$ —	\$ —	\$ —	\$ —
Nonrecurring Assets	\$	—	\$ —	\$ —	\$ —	\$ —
<u>Other Financial Instruments</u>						
Assets:						
Cash	\$	15	\$ 15	\$ —	\$ —	\$ 15
RABs	\$	1,519	\$ —	\$ —	\$ 1,646	\$ 1,646
ABSs	\$	621	\$ —	\$ 607	\$ —	\$ 607
Loans	\$	1,449,413	\$ —	\$ —	\$ 1,374,702	\$ 1,374,702
Other Financial Assets	\$	1,451,568	\$ 15	\$ 607	\$ 1,376,348	\$ 1,376,970
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	\$	1,129,843	\$ —	\$ —	\$ 1,074,693	\$ 1,074,693
Other Financial Liabilities	\$	1,129,843	\$ —	\$ —	\$ 1,074,693	\$ 1,074,693

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

Uncertainty in Measurements of Fair Value

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

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the

instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

Investments in Debt Securities

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

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

Inputs to Valuation Techniques

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

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

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

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

Information about Other Financial Instrument Fair Value Measurements

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

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

Note 7 — Employee Benefit Plans

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Pension	\$ 309	\$ 641	\$ 929	\$ 1,923
401(k)	253	248	765	747
Other postretirement benefits	115	110	358	327
Total	\$ 677	\$ 999	\$ 2,052	\$ 2,997

Expenses in the above table are computed using allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the

respective Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2022.

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

Note 8 — Commitments and Contingent Liabilities

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

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

Note 9 — Subsequent Events

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