First Quarter Financial Report March 31, 2022

Farm Credit Services *of* America

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Farm Credit Services of America, ACA

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

The following commentary reviews the consolidated financial position and consolidated results of operations of Farm Credit Services of America, ACA, and its subsidiaries (Farm Credit Services of America). The accompanying consolidated financial statements and notes also contain important information about our unaudited financial position and results of operations. You should also read our 2021 Annual Report for a description of our organization, operations and significant accounting policies.

AgriBank, FCB's financial condition and results of operations materially affect shareholders' investment in Farm Credit Services of America, ACA. To request a free copy of the AgriBank, FCB financial reports or additional copies of our report contact us at PO Box 2409, Omaha, NE 68103-2409, (800) 531-3905 or via electronic mail to $sr@fcsamerica.com or view them at our Web site, www.fcsamerica.com. You may also contact AgriBank, FCB at 30 East 7th Street, Suite 1600, St. Paul, MN 55101, (651) 282-8800, or via electronic mail to: financialreporting@agribank.com. The AgriBank, financial reports are also available through AgriBank, FCB's Web site at www.agribank.com.

Forward-Looking Information

Any forward-looking statements in this Quarterly Financial 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.

Commodity Review and Outlook Update

Repayment capacity for our loans is largely dependent upon earnings derived from corn, soybeans, hogs and cattle. Of somewhat less significance are wheat, dairy and poultry.

Crop prices in the first quarter saw significant gains due to global events and high domestic demand. With two consecutive years of drought in South America and the war in Eastern Europe between Russia and Ukraine, these two events created significant volatility to United States commodity markets during the first quarter. Over the past five years, Russia and Ukraine accounted for an average of approximately 28 percent of the world's wheat export market, while Ukraine accounted for approximately 15 percent of total world corn exports. Russia's invasion of Ukraine injected new uncertainty into world markets as it's unknown how much demand will be called on to fill the supply gap of their key commodities. At the same time, the soybean market has been subject to weather concerns as ongoing drought in Southern Brazil and Argentina have significantly impacted expectations of a large crop. As a result, world stocks for soybeans have been extremely tight. While volatility from each of these global events impacted markets greatly during the first quarter, these supply and demand factors provided producers the option to set some relatively strong pricing, especially in the form of higher spring crop insurance prices. The run-up in commodity prices during the price discovery period of the spring crop insurance price should help producers partially offset large increases to input costs seen for this upcoming planting year.

Fed cattle prices remained relatively steady during the first quarter staying within the range of high $130's/cwt. and low $140's/cwt. The overall cattle herd continues to be impacted by drought. At the end of the first quarter, approximately 61 percent of the cattle inventory and 49 percent of hay acreage were within an area experiencing drought. While demand and prices remain relatively strong, elevated feed costs and drought are cutting into profitability margins for cow-calf producers. Pork prices rallied significantly in the first quarter of 2022 supported by tight supply. The March Hogs and Pigs report showed inventory of all hogs, including market hogs, lower than a year ago. In fact, each class of market hog inventories were lower compared to last year at this time. Disease, high feed costs, and uncertainty about export demand are all contributing to the decline in breeding stock and tighter hog supplies. Taking all this into account, there is the possibility of profitable hogs in 2022 if feed costs do not rise significantly higher.

Refer to the Commodity Review and Outlook section of Management's Discussion & Analysis in the 2021 Annual Report for further analysis of farmland prices and industry conditions.

Loan Portfolio

Total loans were $36.2 billion at March 31, 2022, an increase of $476.9 million, or 1.3 percent from year-end. The increase was primarily due to an increase in agribusiness loans partially offset by a decrease in production and intermediate term loans.

We recorded a $16.0 million reversal of our provision for credit losses for the first three months of 2022, as compared with recording a $23.7 million reversal of our provision for credit losses during the first three months of 2021. This is due to overall credit quality improvement, predominantly in the grain and cow/calf portfolios. Net recoveries of charge-offs for the first three months of 2022 were $1.0 million compared to net charge offs of $327.0 thousand in the same period a year ago.

The following table summarizes risk assets and delinquency information (dollars in thousands):

	March 31, 2022	December 31, 2021
Risk loans:		
Nonaccrual	**$ 83,497**	$ 102,662
Restructured	**38,448**	30,696
90 days past due still accruing interest*	**24,428**	6,203
Total risk loans	**146,373**	139,561
Other property owned, net	**956**	7,621
Total risk assets	**$ 147,329**	$ 147,182
Risk loans as a percentage of total loans	**0.40%**	0.39%
Nonaccrual loans as a percentage of total loans	**0.23%**	0.28%
Current nonaccrual loans as a percentage of total nonaccrual loans	**81.5%**	86.0%
Total delinquencies as a percentage of total loans	**0.27%**	0.29%

*Accruing loans include accrued interest receivable.

Total risk loans have increased slightly since year-end due to an increase in restructured loans and 90 days past due still accruing interest; these increases were mostly offset by a decrease in nonaccrual loans. It is our practice to transfer accruing loans that are past due 90 days or more into nonaccrual unless they are adequately secured and in the process of collection. Based on our analysis, loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection. Risk loans as a percentage of total loans remain at acceptable levels.

The allowance for loan losses is an estimate of losses on loans 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, portfolio quality, estimated collateral values, and current economic and environmental conditions.

Comparative allowance coverage of various loan categories follows:

	March 31, 2022	December 31, 2021
Allowance as a percentage of:		
Total loans	**0.17%**	0.21%
Nonaccrual loans	**73.06%**	73.06%
Total risk loans	**41.67%**	53.74%

Our adversely classified assets decreased during the first three months of 2022 ending the quarter at 2.24 percent of the portfolio, compared to 3.01 percent of the portfolio at December 31, 2021. Adversely classified are assets we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses, and in our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at March 31, 2022.

Results of Operations

The following table presents profitability information (dollars in thousands):

	For the three months ended March 31, 2022	2021
Net income (in thousands)	**$176,664**	$186,937
Return on average assets	**1.92%**	2.25%
Return on average members' equity	**10.68%**	12.21%

Changes in these ratios are directly related to the changes in income discussed in this section, changes in assets discussed in the Loan Portfolio section and changes in capital discussed in the Funding, Liquidity and Members' Equity section.

Major components of the changes in net income for the three months ended March 31, 2022 compared to the same period in 2021 are outlined in the following table (dollars in thousands):

Increase (decrease) in net income	2022 vs. 2021
Net interest income	**$ 15,635**
Provision for credit losses	**(7,655)**
Noninterest income	**(6,887)**
Noninterest expense	**(11,984)**
Provision for income taxes, net	**618**
Total change in net income	**$ (10,273)**

Net interest income was $206.5 million for the first three months of 2022 compared to $190.9 million for the first three months of 2021. The annualized net interest margin was 2.34 percent for the first three months of 2022, compared to 2.39 percent for the same period in 2021.

The effects on net interest income from changes in average volumes and rates are quantified in the following table for the three months ended March 31, (dollars in thousands):

	2022 vs. 2021
Change in volume	**$ 19,932**
Change in rates	**(3,277)**
Change in nonaccrual income	**(1,020)**
Net change	**$ 15,635**

The increase in net interest income is due to higher loan volume and slightly offset by decreased interest rate spreads on the portfolio.

The variance in the provision for credit losses reflects our assessment of risk in the loan portfolio.

The decrease in noninterest income is primarily due to a decrease in loan fees and in AgDirect, LLP program fees. The decrease was offset by an increase in patronage and insurance income. The increase in noninterest expense is primarily due to salary, benefits and other expenses for increased staffing levels to support business initiatives. The decrease in provision for income taxes is primarily related to our estimate of taxes based on taxable income.

Farm Credit Services of America recorded $5.1 million of operating expense credits under the income and expense sharing provisions of the alliance agreement in the first three months of 2022 compared to $5.7 million for the first three months of 2021. Refer to Note 1 in our 2021 Annual Report for additional information on the alliance.

We may receive patronage from AgriBank, FCB and other Farm Credit entities. Patronage distributions from those entities are declared solely at the discretion of each institution's Board of Directors (dollars in thousands).

	For the three months ended March 31,	
	2022	2021
Patronage from AgriBank, FCB	**$ 34,071**	$ 35,158
AgDirect partnership distribution	**3,867**	2,702
Other patronage	**5,003**	1,006
Total patronage income	**$ 42,941**	$ 38,866

Funding, Liquidity and Members' Equity

We borrow from AgriBank, FCB under a note payable, in the form of a line of credit. Our note payable matures in June 2024 at which time the note will be renegotiated, if not sooner. 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 Farm Credit Services of America is a stockholder of AgriBank, FCB we expect this borrowing relationship to continue into the foreseeable future.

Cost of funds associated with our note payable includes a marginal cost of debt component, a spread component, which includes cost of servicing, cost of liquidity, bank profit, and, if applicable, a risk premium component. However, we were not subject to a risk premium at March 31, 2022 or December 31, 2021.

Our members' equity increased to $6.8 billion at March 31, 2022 compared to $6.7 billion at December 31, 2021. The increase was due to the net income recorded for the first three months of 2022.

Farm Credit Administration 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 Farm Credit Administration 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 8 in our 2021 Annual Report for a more complete description of these ratios. The capital adequacy ratios are directly impacted by the changes in capital as more fully discussed in this section and the changes in assets as discussed in the Loan Portfolio section.

	As of March 31, 2022	As of December 31, 2021	Regulatory Minimums	Capital Conservation Buffers
Risk-adjusted:				
Common equity tier 1 ratio	**15.01%**	15.82%	4.50%	7.00%
Tier 1 capital ratio	**15.01%**	15.82%	6.00%	8.50%
Total capital ratio	**15.24%**	16.06%	8.00%	10.50%
Permanent capital ratio	**15.04%**	15.85%	7.00%	7.00%
Non-risk-adjusted:				
Tier 1 leverage ratio	**16.19%**	17.14%	4.00%	5.00%
Unallocated retained earnings and equivalents leverage ratio	**16.19%**	18.20%	1.50%	1.50%

Certification

This report has been prepared under the oversight of the Board's Audit Committee. The undersigned certify that they have reviewed this report and it has been prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate, and complete to the best of their knowledge and belief.

Mark Jensen	Steve Henry	Craig P. Kinnison
President and CEO	Chairperson, ACA Board of Directors	Executive Vice-President and CFO
May 4, 2022	May 4, 2022	May 4, 2022

Farm Credit Services of America, ACA
Consolidated Balance Sheet
(dollars in thousands)

	March 31, 2022 (unaudited)	December 31, 2021
ASSETS		
Loans	**$ 36,196,790**	$ 35,719,890
Allowance for loan losses	**61,000**	75,000
Net loans	**36,135,790**	35,644,890
Cash	**51,157**	51,687
Accrued interest receivable	**329,445**	405,271
Investment in AgriBank, FCB	**794,415**	777,441
Investment in AgDirect, LLP	**107,157**	94,418
Premises and equipment, net	**234,481**	237,127
Other property owned	**956**	7,621
Investment in RBIC	**45,152**	41,576
Deferred tax asset, net	**6,677**	6,965
Other assets	**73,796**	113,297
Total assets	**$ 37,779,026**	$ 37,380,293
LIABILITIES		
Notes payable	**$ 30,696,470**	$ 30,140,612
Accrued interest payable	**103,540**	98,884
Patronage payable	**—**	296,500
Reserve for unfunded lending commitments	**11,000**	12,000
Other liabilities	**137,551**	178,521
Total liabilities	**30,948,561**	30,726,517
Commitments and contingencies (Note 5)		
MEMBERS' EQUITY		
At-risk capital:		
Class D common stock	**96,132**	96,068
Class E common stock	**3,769**	3,767
Less: Capital stock receivable	**(99,901)**	(99,835)
Retained earnings	**6,830,465**	6,653,776
Total members' equity	**6,830,465**	6,653,776
Total liabilities and members' equity	**$ 37,779,026**	$ 37,380,293

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

Farm Credit Services of America, ACA
Consolidated Statement of Income

(dollars in thousands)
(unaudited)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
NET INTEREST INCOME		
Interest income	**$ 310,267**	$ 284,372
Interest expense	**103,760**	93,500
Net interest income	**206,507**	190,872
Reversal of provision for credit losses	**(16,018)**	(23,673)
Net interest income after reversal of provision for credit losses	**222,525**	214,545
NONINTEREST INCOME		
Patronage income from AgriBank, FCB	**34,071**	35,158
AgDirect program fees	**15,964**	19,542
Loan fees	**5,574**	14,289
Patronage from other Farm Credit institutions	**5,003**	1,006
Patronage income from AgDirect, LLP	**3,867**	2,702
Insurance services	**3,215**	1,387
Rural 1st program fees	**1,558**	1,733
Gain on other property owned	**94**	116
Other noninterest income	**1,686**	1,986
Total noninterest income	**71,032**	77,919
NONINTEREST EXPENSE		
Salaries and employee benefits	**69,920**	65,125
Occupancy and equipment expense	**11,876**	11,722
Insurance fund premiums	**11,886**	11,010
Loss (gain) on RBIC	**1,937**	(1,807)
Other operating expenses	**19,143**	16,728
Total noninterest expense	**114,762**	102,778
Income before income taxes	**178,795**	189,686
Provision for income taxes	**2,131**	2,749
Net income	**$ 176,664**	$ 186,937

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

Farm Credit Services of America, ACA
Consolidated Statement of Changes in Members' Equity

(dollars in thousands)
(unaudited)

	At-risk Capital		
	Capital Stock	Retained Earnings	Total Members' Equity
Balance at December 31, 2020	$ —	$ 6,176,934	$ 6,176,934
Net income		186,937	186,937
Patronage accrual adjustment		(1)	(1)
Capital stock:			
Issuance of stock in exchange for customer stock receivable	4,613		4,613
Release of customer stock receivable associated with retired stock	(3,136)		(3,136)
Less: Capital stock receivable	(1,477)		(1,477)
Balance at March 31, 2021	$ —	$ 6,363,870	$ 6,363,870
Balance at December 31, 2021	$ —	$ 6,653,776	$ 6,653,776
Net income		**176,664**	**176,664**
Patronage accrual adjustment		**25**	**25**
Capital stock:			
Issuance of stock in exchange for customer stock receivable	**3,430**		**3,430**
Release of customer stock receivable associated with retired stock	**(3,364)**		**(3,364)**
Less: Capital stock receivable	**(66)**		**(66)**
Balance at March 31, 2022	**$ —**	**$ 6,830,465**	**$ 6,830,465**

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

Notes to Consolidated Financial Statements (unaudited)

Note 1 - Organization and Significant Accounting Policies

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. While our accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and the prevailing practices within the financial services industry, this interim Quarterly Financial Report is prepared based upon statutory and regulatory requirements and, accordingly, does not include all disclosures required by U.S. GAAP. The results of the three months ended March 31, 2022 are not necessarily indicative of the results to be expected for the year ended 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 2021 Annual Report for the year ended December 31, 2021.

The consolidated financial statements present the consolidated financial results of Farm Credit Services of America, ACA (the parent) and Farm Credit Services of America, FLCA and Farm Credit Services of America, PCA (the subsidiaries). 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 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 Farm Credit System Institutions.

In June 2016, the Financial Accounting Standards Board issued ASU 2016-13 "Measurement of Credit Losses on Financial Instruments". The guidance was originally effective for non-United States Securities Exchange Commission filers for the first quarter of 2021. In November 2019, the Financial Accounting Standards Board issued ASU 2019-10 which amends 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. We are currently assessing the impact this guidance will have on our financial statements upon adoption, which will be impacted by the composition of our portfolio and asset quality at the adoption date, as well as economic conditions and forecasts at the time of adoption. We have reviewed the accounting standard, selected and substantially completed development and testing of our system, and are in the process of drafting disclosures and accounting policies, and designing processes and controls.

Refer to Note 2 in our 2021 Annual Report for additional information on other accounting standards that have been issued but are not yet effective.

Note 2 – Loans and Allowance for Credit Losses

Loans consisted of the following (dollars in thousands):

	March 31, 2022		December 31, 2021	
	Amount	**Percentage**	Amount	Percentage
Long-term agricultural mortgage	**$ 22,246,757**	**61.5 %**	$ 22,021,142	61.7 %
Production and intermediate term	**6,096,683**	**16.8**	7,086,807	19.8
Agribusiness	**4,854,751**	**13.4**	3,886,990	10.9
Rural infrastructure	**1,266,128**	**3.5**	1,089,422	3.0
Rural residential real estate	**920,759**	**2.5**	966,931	2.7
Mission-related investments	**639,554**	**1.8**	579,240	1.6
Agricultural export finance	**172,158**	**0.5**	89,358	0.3
Total loans	**$ 36,196,790**	**100.0 %**	$ 35,719,890	100.0 %

Credit Quality

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

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

We had no loans categorized as loss at March 31, 2022 or December 31, 2021.

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type (dollars in thousands):

As of March 31, 2022

	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**
Long-term agricultural mortgage	**$ 21,355,820**	**94.99 %**	**$ 638,750**	**2.84 %**	**$ 486,712**	**2.17 %**	**$ 22,481,282**
Production and intermediate term	**5,739,388**	**93.27 %**	**246,787**	**4.01 %**	**$167,155**	**2.72 %**	**6,153,330**
Agribusiness	**4,578,003**	**93.85 %**	**160,245**	**3.29 %**	**139,606**	**2.86 %**	**4,877,854**
Rural infrastructure	**1,271,277**	**99.84 %**	—	—	**2,052**	**0.16 %**	**1,273,329**
Rural residential real estate	**887,263**	**96.01 %**	**14,034**	**1.52 %**	**22,812**	**2.47 %**	**924,109**
Mission-related investments	**643,945**	**100.00 %**	—	—	—	—	**643,945**
Agricultural export finance	**172,386**	**100.00 %**	—	—	—	—	**172,386**
Total	**$ 34,648,082**	**94.86 %**	**$ 1,059,816**	**2.90 %**	**$ 818,337**	**2.24 %**	**$ 36,526,235**

As of December 31, 2021

	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	%	Amount	%	Amount	%	Amount
Long-term agricultural mortgage	$ 20,831,843	93.33%	$ 823,964	3.69%	$ 665,510	2.98%	$ 22,321,317
Production and intermediate term	6,463,257	90.34%	445,242	6.23%	245,693	3.43%	7,154,192
Agribusiness	3,608,054	92.32%	158,131	4.05%	142,041	3.63%	3,908,226
Rural infrastructure	1,094,148	99.80%	—	—	2,167	0.20%	1,096,315
Rural residential real estate	920,579	94.76%	19,985	2.06%	30,861	3.18%	971,425
Mission-related investments	583,831	100.00%	—	—	—	—	583,831
Agricultural export finance	89,855	100.00%	—	—	—	—	89,855
Total	$ 33,591,567	92.99%	$ 1,447,322	4.00%	$ 1,086,272	3.01%	$ 36,125,161

Delinquency

The following table provides an aging analysis of past due loans and related accrued interest receivable by loan type (dollars in thousands):

As of March 31, 2022	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
Long-term agricultural mortgage	**$11,576**	**$8,349**	**$19,925**	**$22,461,357**	**$22,481,282**	**$169**
Production and intermediate term	**20,550**	**3,439**	**23,989**	**6,129,341**	**6,153,330**	**562**
Agribusiness	**4,251**	—	**4,251**	**4,873,603**	**4,877,854**	—
Rural infrastructure	—	—	—	**1,273,329**	**1,273,329**	—
Rural residential real estate	**2,431**	**1,157**	**3,588**	**920,521**	**924,109**	**282**
Mission-related investments	**24,204**	**23,415**	**47,619**	**596,326**	**643,945**	**23,415**
Agricultural export finance	—	—	—	**172,386**	**172,386**	—
Total	**$63,012**	**$36,360**	**$99,372**	**$36,426,863**	**$36,526,235**	**$24,428**

As of December 31, 2021	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
Long-term agricultural mortgage	$21,441	$7,425	$28,866	$22,292,451	$22,321,317	$159
Production and intermediate term	15,385	5,260	20,645	7,133,547	7,154,192	—
Agribusiness	2,984	—	2,984	3,905,242	3,908,226	—
Rural infrastructure	—	—	—	1,096,315	1,096,315	—
Rural residential real estate	3,553	890	4,443	966,982	971,425	—
Mission-related investments	42,533	6,045	48,578	535,253	583,831	6,044
Agricultural export finance	—	—	—	89,855	89,855	—
Total	$85,896	$19,620	$105,516	$36,019,645	$36,125,161	$6,203

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. Accruing loans include principal and interest. The following tables present information concerning risk loans (dollars in thousands):

	As of March 31, 2022	As of March 31, 2021
Risk loans with specific allowance	**$ 8,249**	$ 15,684
Risk loans without specific allowance	**138,124**	173,893
Total risk loans	**$ 146,373**	$ 189,577
Total specific allowance	**$ 2,565**	$ 7,260

	For the three months ended March 31, 2022	For the three months ended March 31, 2021
Interest income recognized on nonaccrual loans	**$ (132)**	$ 888
Interest income recognized on risk accrual loans	**$ 67**	689
Interest income recognized on risk loans	**$ (65)**	$ 1,577
Average risk loans	**$ 170,695**	$ 230,181

There were approximately $1.8 million in commitments to lend additional funds to customers whose loans were at risk at March 31, 2022.

Troubled Debt Restructurings

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 troubled debt restructuring, also known as a restructured loan. 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 troubled debt restructurings (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.

The following table presents information regarding TDRs that occurred during the period ended March 31, (dollars in thousands):

	2022		2021	
	Premodification Outstanding Recorded Investment	**Postmodification Outstanding Recorded Investment**	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Production and intermediate term	**$ —**	**$ —**	$ 588	$ 488

Pre-modification outstanding represents the recorded investment just prior to restructuring, and post-modification outstanding represents the recorded investment immediately following the restructuring. The recorded investment is the face 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.

We recorded no TDRs that occurred within the previous twelve months for which there was a subsequent payment default during the period ended March 31, 2022 and March 31, 2021.

There were $1.3 million in additional commitments to lend to borrowers whose loans have been modified in a troubled debt restructuring at March 31, 2022.

The following table presents TDRs outstanding at:

TDRs Outstanding (in thousands) As of:	**March 31, 2022**	December 31, 2021
Accrual status:		
Long-term agricultural mortgage	**$ 20,814**	$ 21,054
Production and intermediate term	**10,957**	9,594
Agribusiness	**6,677**	—
Rural residential real estate	**—**	48
Total TDRs in accrual status	**$ 38,448**	$ 30,696
Nonaccrual status:		
Long-term agricultural mortgage	**$ 452**	$ 459
Production and intermediate term	**572**	589
Agribusiness	**324**	7,256
Total TDRs in nonaccrual status	**$ 1,348**	$ 8,304
Total TDRs:		
Long-term agricultural mortgage	**$ 21,266**	$ 21,513
Production and intermediate term	**11,529**	10,183
Agribusiness	**7,001**	7,256
Rural residential real estate	**—**	48
Total TDRs	**$ 39,796**	$ 39,000

Allowance for Loan Losses

An analysis of changes in the allowance for credit losses follows (dollars in thousands):

	March 31,	
Allowance for loan losses	**2022**	2021
Balance at beginning of year	**$ 75,000**	$ 152,000
Reversal of provision for loan losses	**(15,018)**	(22,673)
Charge-offs	**(102)**	(976)
Recoveries	**1,120**	649
Balance at end of quarter	**$ 61,000**	$ 129,000

	March 31,	
Reserve for unfunded lending commitments	**2022**	2021
Balance at beginning of year	**$ 12,000**	$ 14,000
Reversal of provision for unfunded lending commitments	**(1,000)**	(1,000)
Balance at end of quarter	**$ 11,000**	$ 13,000

The allowance for loan losses is an estimate of losses on loans 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, portfolio quality, estimated collateral values, and current economic and environmental conditions.

Note 3 – Investment in Rural Business Investment Company

We and other Farm Credit System institutions are among the limited partners invested in eight Rural Business Investment Companies (RBIC). The RBICs facilitate equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. As of March 31, 2022, our current total commitment is $110 million of which $53.6 million is unfunded with varying commitment end dates through December 2031. Certain commitments may have an option to extend under specific circumstances.

Note 4 – 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 levels of inputs 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 March 31, 2022, or December 31, 2021. We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. Information on assets measured at fair value on a non-recurring basis is as follows (dollars in thousands):

	Fair Value Measurement Using			
As of March 31, 2022	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Impaired loans	—	—	**$ 10,171**	**$ 10,171**
Other property owned	—	—	**$ 956**	**$ 956**

	Fair Value Measurement Using			
As of December 31, 2021	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	—	—	$ 12,770	$ 12,770
Other property owned	—	—	$ 7,621	$ 7,621

Impaired loans: Represents the carrying amount and related write-downs 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 fall under 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 fall under Level 3.

Other property owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value 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 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 fall under Level 3.

Note 5- Commitments and Contingencies

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 accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

From time to time, 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, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

We are among the forming limited partners in eight Rural Business Investment Companies. Refer to Note 3 for additional discussion.

Note 6- Subsequent Events

We have evaluated subsequent events through May 4, 2022, which is the date the 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.