ArborOne, ACA

THIRD QUARTER 2022

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CERTIFICATION

The undersigned certify that we have reviewed the September 30, 2022 quarterly report of **ArborOne, 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.

Bryant Sansbury
President and Chief Executive Officer

Brad J. Fjestad
Chief Financial Officer and Treasurer

William Dupree Atkinson
Chairman of the Board

November 8, 2022

ArborOne, ACA

Report on Internal Control Over Financial Reporting

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

Bryant Sansbury

Bryant Sansbury
President and Chief Executive Officer

Brad J. Fjestad

Brad J. Fjestad
Chief Financial Officer and Treasurer

November 8, 2022

ArborOne, ACA

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of **ArborOne, ACA**, (the 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.

COVID-19 OVERVIEW

In response to the COVID-19 pandemic, and without disruption to operations, the Association transitioned the vast majority of its employees to working remotely in mid-March 2020. The Association has returned to ordinary business operations and has on-going safety measures in place that adjust as the current situation changes to limit health risk at the office in order to keep employees and customers safe. The Association continues to stay current with the Centers for Disease Control and Prevention (CDC) recommendations along with local agencies and adjust safety measures if needed.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses 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 our region, including cash grains, cotton, forestry, and poultry. Farm size varies and many of the borrowers in the region have diversified farming operations. These factors, along with the numerous opportunities for non-farm income in the area, somewhat impact the level of dependency on a given commodity. Approximately 34 percent of the portfolio has significant outside income to diversify dependence on agriculture, consisting of lifestyle loans and loans to less than full-time farmers with retirement income, salaried income and non-agricultural business income. Further, approximately 13 percent of the assets carry federal guarantees as a risk management tool.

The gross loan volume of the Association as of September 30, 2022, was $626,538, an increase of $43,412 as compared to $583,126 at December 31, 2021. Net loans outstanding at September 30, 2022, were $614,264 as compared to $570,089 at December 31, 2021. The Association had investment securities classified as held-to-maturity in the amount of $5,205. Net loans and investments accounted for 96.55 percent of total assets at September 30, 2022, as compared to 95.19 percent of total assets at December 31, 2021.

Net loans increased by $44,175 during the reporting period. This increase was mainly due to an increase in originated loan volume of $39,287, an increase in participations purchased loan volume of $17,859, and a decrease in allowance for loan losses of $763. This increase was partially offset by an increase in participations sold loan volume of $10,792, a decrease in nonaccrual loan volume of $2,710, and a decrease in notes receivable of $232.

The increase in originated loan volume was mainly the result of increased real estate and operating loans. The increase in participations purchased loan volume was attributed to new loan growth and advances on existing volume. The increase in participations sold loan volume resulted from additional advances on one large participation loan. The decrease in nonaccrual loan volume was due to liquidations and repayments, chargeoffs, and reinstatements of nonaccrual accounts to accruing status, which were partially offset by a few core accounts transferring to nonaccrual status.

The decrease in allowance for loan losses was mainly due to a decrease in general reserves resulting from improved credit quality. The Association also has a reserve for unfunded commitments in the amount of $558, which resides in other liabilities.

Investment securities held-to-maturity (HTM) consist of mission related investments (Rural America Bonds). The investments were transferred in 2014 to HTM from available-for-sale (AFS) at fair value with unrealized gains and losses recognized in Other Comprehensive Income (OCI). These OCI amounts will be amortized or accreted to interest income ratably over the remaining life of each individual security in accordance with generally accepted accounting principles (GAAP). The amortization of an unrealized holding gain or loss reported in OCI will offset or mitigate the effect on interest income of the amortization of any premium or discount recorded on the transfer to held-to-maturity for each security.

The HTM investment securities decreased by $2,394 when compared to December 31, 2021. This decrease was mainly due to the payoff of one investment and normal payments totaling $2,264 and the amortization of the net unrealized loss from the transfer to HTM in the amount of $130.

As of September 30, 2022, approximately 87 percent of the Association's HTM Rural America Bonds were guaranteed; therefore the risk of credit loss to the Association was reduced. There were no unrealized credit impairments on the HTM investment portfolio as of December 31, 2021 and none were taken during the first nine months of 2022.

There is an inherent risk in the extension of any type of credit. However, portfolio credit quality continues to be maintained at an acceptable level, and credit administration remains satisfactory. Nonaccrual loans decreased from $11,400 at December 31, 2021, to $8,690 at September 30, 2022. This was mainly due to liquidations and repayments, chargeoffs, and the reinstatements of nonaccrual accounts to accruing status. This decrease was partially offset by a few core accounts transferring to nonaccrual status.

As of September 30, 2022, the Association had two properties classed as Other Property Owned (OPO) totaling $88, a decrease of $107 as compared to $195 at December 31, 2021. The decrease resulted from a writedown and partial sale of one of the properties. Both properties are currently under contract for liquidation and in the due diligence phase of the contract.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on credit quality, credit history, current conditions, and expected future conditions.

The allowance for loan losses at September 30, 2022, was $12,274, compared to $13,037 at December 31, 2021. The allowance for loan losses consisted of $10,604 in general reserves and $1,670 in specific reserves for several core agricultural loans. Charge-offs for the nine months ended September 30, 2022 were $787, on several nonaccrual core agricultural loans. There were recoveries of $526 for the nine months ended September 30, 2022 attributed to several core agricultural loans. The Association has a reserve for unfunded commitments in the amount of $558, which resides in other liabilities. The allowance for loan losses for the period ending September 30, 2022 was considered by management to be adequate to cover any future possible losses.

RESULTS OF OPERATIONS

For the three months ended September 30, 2022

Net income for the three months ended September 30, 2022, totaled $2,929 an increase of $197, as compared to $2,732 for the same period in 2021. This increase was mainly due to an increase in net interest income of $36, a decrease in provision of $669, and a reversal of provision for income taxes of $34. This increase was partially offset by a decrease in noninterest income of $178 and an increase in noninterest expense of $364.

Interest income on accruing loans increased by $1,508 for the three months ended September 30, 2022 as compared to the same period in 2021, as a result of the increase in originated loan volume. Nonaccrual interest income decreased by $258 as compared to the same period in 2021, which was mainly due to the liquidation of one large nonaccrual core account in the third quarter of 2021. Interest income on investment securities was $66 compared to $103 for the same period in 2021. The decrease in investment interest income was due to the reduction in volume as a result of a payoff and repayments in the normal course of business.

Interest expense increased $1,177 for the three months ended September 30, 2022, as compared to the comparable period of 2021. The interest expense increase was primarily due to the increase in loan volume.

The Association recorded a provision for loan losses of $599 as compared to a provision for loan losses of $1,268 for the comparable period of 2021. The decrease in provision for the quarter ended September 30, 2022 as compared to the same period in 2021, resulted mainly from a decrease in chargeoffs for the period, as well as an increase in recoveries.

Noninterest income for the three months ended September 30, 2022, totaled $1,797 as compared to $1,975 for the same period of 2021, a decrease of $178. This decrease was mainly due to a decrease in gains on other transactions of $224 resulting from a small increase in reserves for unfunded commitments in 2022 as compared to a decrease in the same period of 2021, coupled with an increase in retirement plan losses. Additionally, there was a decrease in loan fees of $59 and a decrease in gains on sales of premises and equipment of $32. These decreases in noninterest income were partially offset by an increase in fees for financially related services of $115 and an increase in patronage refunds from other Farm Credit institutions of $22.

Noninterest expense for the three months ended September 30, 2022, increased $364 compared to the same period of 2021. This increase was mainly the result from an increase in other operating expenses of $248, an increase in insurance fund premiums of $61, an increase in salaries and benefits of $52, an increase in losses on other property owned of $31, an increase in data processing of $20, and an increase in occupancy and equipment of $4. These increases in noninterest expense were offset by a decrease in purchased services of $52.

The Association recorded a reversal of provision for income taxes of $34 for the three months ended September 30, 2022, but recorded no provision for the same period in 2021.

For the nine months ended September 30, 2022

Net income for the nine months ended September 30, 2022, totaled $10,034, as compared to $7,679 for the same period in 2021. The increase was mainly due to an increase in net interest income of $681, a decrease in provision of $2,542, and a reversal of provision for income taxes of $21. This increase was partially offset by a decrease in noninterest income of $263 and an increase in noninterest expense of $626.

Interest income on accruing loans increased by $2,841, which was primarily a result of the increase in loan volume. Nonaccrual interest income decreased by $126 as compared to the same period in 2021. This decrease was mainly due to larger reinstatement amounts during the 2021 period. Interest income on investment securities decreased by $74 primarily due to the reduction in volume as a result of one payoff in May of 2022 and repayments in the normal course of business.

Interest expense increased by $1,960 compared to the same period of 2021. This increase was primarily due to the increase in loan volume.

The Association recorded a reversal of allowance for loan losses of $502 for the nine months ended September 30, 2022, as compared to a provision for loan losses of $2,040 for the same period in 2021. This decrease was mainly due to a decrease in general reserves, as well as specific reserves, for the nine months ended September 30, 2022 from the same period in 2021, which resulted from improved credit quality, as well as a decrease in chargeoffs and an increase in recoveries.

Noninterest income for the nine months ended September 30, 2022, totaled $4,383 as compared to $4,646 for the same period of 2021, a decrease of $263. The decrease was mainly due to a decrease in gains on sales of other transactions of $318 resulting from an increase in retirement plan losses and an increase in reserves for unfunded commitments. Additionally, there was a decrease in loan fees of $251 and a decrease in gains on sales of premises and equipment of $32. This decrease in noninterest income was partially offset by an increase in fees for financially related services of $212, an increase in patronage refunds from other Farm Credit institutions of $123, and an increase in other noninterest income of $3.

Noninterest expense for the nine months ended September 30, 2022, increased $626 compared to the same period of 2021. This increase was mainly due to an increase in other operating expenses of $332, an increase in salaries and benefits of $231, an increase in insurance fund premiums of $176, an increase in data processing of $15, and an increase in losses on other property owned of $8. The increase in noninterest expense was partially offset by a decrease in purchased services of $95 and a decrease in occupancy and equipment of $41.

The Association recorded a reversal of provision for income taxes of $21 for the nine months ended September 30, 2022, but recorded no provision and for the same period in 2021.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (AgFirst or 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. The 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 $523,509 as compared to $489,921 at December 31, 2021. The increase during the period was a result of the increase in loan volume.

LIBOR Transition

The Association has exposure to LIBOR arising from loans made to customers and loans purchased from other Farm Credit System institutions.

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 Association outstanding variable-rate financial instruments tied to LIBOR at September 30, 2022:

(dollars in thousands)	Due in 2022	Due in 2023 (On or Before June 30)	Due After June 30, 2023	Total
Loans	$ –	$ –	$ 14,245	$ 14,245
Total Assets	$ –	$ –	$ 14,245	$ 14,245
Note Payable to AgFirst Farm Credit Bank	$ –	$ –	$ 11,590	$ 11,590
Total Liabilities	$ –	$ –	$ 11,590	$ 11,590

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.

CAPITAL RESOURCES

Total members' equity increased by $9,955 from $101,565 at December 31, 2021 to $111,520 at September 30, 2022, primarily due to an increase in retained earnings. Total capital stock and participation certificates were $1,898 on September 30, 2022, compared to $1,858 on December 31, 2021. This increase was attributed to the purchases of capital stock and participation certificates on loans in the normal course of business.

The Association reports other comprehensive income (loss) (OCI) in its Consolidated Statements of Changes in Members' Equity. The Association has an unrealized gain of $11 as of September 30, 2022, as compared to an unrealized gain of $21 as of December 31, 2021 for FAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." The Association has an unrealized net loss of $130 as of September 30, 2022 as compared to an unrealized net loss of $18 as of December 31, 2021 on the HTM investment securities. The resulting effect was a net loss of $119 to Accumulated Other Comprehensive Income for the nine months ending September 30, 2022.

FCA sets minimum regulatory capital requirements for System Banks and Associations. The System's capital requirements are compatible with the Basel III framework and the standardized approach of federal banking regulatory agencies.

The ratios are calculated using three-month average daily balances, in accordance with FCA regulations. Refer to Note 7, *Members' Equity*, of the Association's 2021 Annual Report for additional information.

The following sets forth the regulatory capital ratios:

Ratio	Minimum Requirement	Capital Conservation Buffer*	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of September 30, 2022
Risk-adjusted ratios:				
CET1 Capital Ratio	4.5%	2.5%	7.0%	17.20%
Tier 1 Capital Ratio	6.0%	2.5%	8.5%	17.20%
Total Capital Ratio	8.0%	2.5%	10.5%	18.46%
Permanent Capital Ratio	7.0%	–%	7.0%	17.40%
Non-risk-adjusted ratios:				
Tier 1 Leverage Ratio **	4.0%	1.0%	5.0%	16.44%
UREE Leverage Ratio	1.5%	–%	1.5%	10.37%

* *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.*

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 the period presented, the Association exceeded minimum regulatory standards for all the ratios.

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.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

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

Summary of Guidance	Adoption and Potential Financial Statement Impact
ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	
• Replaces multiple existing impairment standards by establishing a single framework for financial assets to reflect management's estimate of current expected credit losses (CECL) over the entire remaining life of the financial assets. • Changes the present incurred loss impairment guidance for loans to an expected loss model. • Modifies the other-than-temporary impairment model for debt securities to require an allowance for credit impairment instead of a direct write-down, which allows for reversal of credit impairments in future periods based on improvements in credit quality. • Eliminates existing guidance for purchased credit impaired (PCI) loans, and requires recognition of an allowance for expected credit losses on these financial assets. • Requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption. • Effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application is permitted.	• Implementation efforts began with establishing a cross-discipline governance structure utilizing common guidance developed across the Farm Credit System. The implementation includes identification of key interpretive issues, scoping of financial instruments, and assessing existing credit loss forecasting models and processes against the new guidance. • The new guidance is expected to result in a change in allowance for credit losses due to several factors, including: 1. The allowance related to loans and commitments will most likely change because it will then cover credit losses over the full remaining expected life of the portfolio, and will consider expected future changes in macroeconomic conditions, 2. An allowance will be established for estimated credit losses on any debt securities, 3. The nonaccretable difference on any PCI loans will be recognized as an allowance, offset by an increase in the carrying value of the related loans. • The extent of allowance change is under evaluation, but will depend upon the nature and characteristics of the financial instrument portfolios, and the macroeconomic conditions and forecasts, at the adoption date. • The guidance is expected to be adopted January 1, 2023.
ASU 2022-02 Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures	
• This Update responds to feedback received during the Post Implementation Review process conducted by the FASB related to Topic 326. Troubled Debt Restructurings (TDRs) by Creditors • The amendments eliminate the accounting guidance for TDRs by creditors in Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance in paragraphs 310-20-35-9 through 35-11 to determine whether a modification results in a new loan or a continuation of an existing loan. Vintage Disclosures—Gross Writeoffs • For public business entities, the amendments in this Update require that an entity disclose current period gross writeoffs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost.	• These amendments will be implemented in conjunction with the adoption of ASU 2016-13.
ASU 2022-03—Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions	
• 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 1-800-741-7332, writing Sarah Jackson, Corporate Secretary, ArborOne, ACA, P.O. Box 3699, Florence, SC 29502, or accessing the website, ***www.arborone.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.

ArborOne, ACA

Consolidated Balance Sheets

(dollars in thousands)	September 30, 2022	December 31, 2021
	(unaudited)	*(audited)*
Assets		
Cash	$ **2**	$ 3
Investments in debt securities:		
Held to maturity (fair value of $4,824 and $8,431, respectively)	**5,205**	7,599
Loans	**626,538**	583,126
Allowance for loan losses	**(12,274)**	(13,037)
Net loans	**614,264**	570,089
Accrued interest receivable	**8,813**	8,118
Equity investments in other Farm Credit institutions	**5,417**	5,390
Premises and equipment, net	**3,639**	3,637
Other property owned	**88**	195
Accounts receivable	**2,985**	10,385
Other assets	**1,180**	1,472
Total assets	$ **641,593**	$ 606,888
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ **523,509**	$ 489,921
Accrued interest payable	**1,302**	917
Patronage refunds payable	**421**	6,171
Accounts payable	**698**	1,563
Other liabilities	**4,143**	6,751
Total liabilities	**530,073**	505,323
Commitments and contingencies (Note 8)		
Members' Equity		
Capital stock and participation certificates	**1,898**	1,858
Retained earnings		
Allocated	**70,512**	70,277
Unallocated	**39,294**	29,495
Accumulated other comprehensive income (loss)	**(184)**	(65)
Total members' equity	**111,520**	101,565
Total liabilities and members' equity	$ **641,593**	$ 606,888

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

ArborOne, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Interest Income				
Loans	**$ 8,283**	$ 7,033	**$ 22,664**	$ 19,949
Investments	**66**	103	**248**	322
Total interest income	**8,349**	7,136	**22,912**	20,271
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	**3,851**	2,674	**9,583**	7,623
Net interest income	**4,498**	4,462	**13,329**	12,648
Provision for (reversal of) allowance for loan losses	**599**	1,268	**(502)**	2,040
Net interest income after provision for (reversal of) allowance for loan losses	**3,899**	3,194	**13,831**	10,608
Noninterest Income				
Loan fees	**186**	245	**791**	1,042
Fees for financially related services	**706**	591	**843**	631
Patronage refunds from other Farm Credit institutions	**1,000**	978	**2,915**	2,792
Gains (losses) on sales of premises and equipment, net	**(32)**	—	**(32)**	—
Gains (losses) on other transactions	**(63)**	161	**(137)**	181
Other noninterest income	**—**	—	**3**	—
Total noninterest income	**1,797**	1,975	**4,383**	4,646
Noninterest Expense				
Salaries and employee benefits	**1,707**	1,655	**5,294**	5,063
Occupancy and equipment	**89**	85	**266**	307
Insurance Fund premiums	**224**	163	**638**	462
Purchased services	**49**	101	**226**	321
Data processing	**58**	38	**113**	98
Other operating expenses	**598**	350	**1,561**	1,229
(Gains) losses on other property owned, net	**76**	45	**103**	95
Total noninterest expense	**2,801**	2,437	**8,201**	7,575
Income before income taxes	**2,895**	2,732	**10,013**	7,679
Provision (benefit) for income taxes	**(34)**	—	**(21)**	—
Net income	**$ 2,929**	$ 2,732	**$ 10,034**	$ 7,679
Other comprehensive income net of tax				
Unrealized gains (losses) on investments	**(2)**	(5)	**(130)**	(14)
Employee benefit plans adjustments	**4**	5	**11**	12
Other comprehensive income (loss) (Note 5)	**2**	—	**(119)**	(2)
Comprehensive income	**$ 2,931**	$ 2,732	**$ 9,915**	$ 7,677

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

ArborOne, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2020	$ 1,761	$ 63,700	$ 28,864	$ (68)	$ 94,257
Comprehensive income (loss)			7,679	(2)	7,677
Capital stock/participation certificates issued/(retired), net	78				78
Retained earnings retired		(412)			(412)
Patronage distribution adjustment		155	(162)		(7)
Balance at September 30, 2021	$ 1,839	$ 63,443	$ 36,381	$ (70)	$ 101,593
Balance at December 31, 2021	**$ 1,858**	**$ 70,277**	**$ 29,495**	**$ (65)**	**$ 101,565**
Comprehensive income (loss)			**10,034**	**(119)**	**9,915**
Capital stock/participation certificates issued/(retired), net	**40**				**40**
Patronage distribution adjustment		**235**	**(235)**		**—**
Balance at September 30, 2022	**$ 1,898**	**$ 70,512**	**$ 39,294**	**$ (184)**	**$ 111,520**

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

ArborOne, ACA

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

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

Organization
The accompanying financial statements include the accounts of **ArborOne**, 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	$ 351,900	$ 334,280
Production and intermediate-term	205,476	202,506
Loans to cooperatives	2,473	2,186
Processing and marketing	33,303	20,051
Farm-related business	15,822	13,126
Communication	2,955	–
Power and water/waste disposal	685	684
Rural residential real estate	10,292	9,348
International	3,632	945
Total loans	$ 626,538	$ 583,126

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	$ 10,631	$ 3,500	$ –	$ –	$ –	$ –	$ 10,631	$ 3,500
Production and intermediate-term	15,514	1,904	–	–	–	–	15,514	1,904
Loans to cooperatives	2,201	–	–	–	–	–	2,201	–
Processing and marketing	23,458	25,551	–	–	–	–	23,458	25,551
Farm-related business	352	–	–	–	–	–	352	–
Communication	2,962	–	–	–	–	–	2,962	–
Power and water/waste disposal	686	–	–	–	–	–	686	–
International	3,635	–	–	–	–	–	3,635	–
Total	$ 59,439	$ 30,955	$ –	$ –	$ –	$ –	$ 59,439	$ 30,955

	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	$ 12,379	$ 4,413	$ –	$ –	$ –	$ –	$ 12,379	$ 4,413
Production and intermediate-term	13,527	1,538	–	–	–	–	13,527	1,538
Loans to cooperatives	2,195	–	–	–	–	–	2,195	–
Processing and marketing	11,410	14,212	–	–	–	–	11,410	14,212
Farm-related business	386	–	–	–	–	–	386	–
Power and water/waste disposal	686	–	–	–	–	–	686	–
International	946	–	–	–	–	–	946	–
Total	$ 41,529	$ 20,163	$ –	$ –	$ –	$ –	$ 41,529	$ 20,163

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
Real estate mortgage:		
Acceptable	93.74%	93.80%
OAEM	4.45	3.94
Substandard/doubtful/loss	1.81	2.26
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	90.16%	88.22%
OAEM	6.94	7.04
Substandard/doubtful/loss	2.90	4.74
	100.00%	100.00%
Loans to cooperatives:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	96.08%	100.00%
OAEM	3.92	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Farm-related business:		
Acceptable	77.61%	61.66%
OAEM	15.61	17.95
Substandard/doubtful/loss	6.78	20.39
	100.00%	100.00%

	September 30, 2022	December 31, 2021
Communication:		
Acceptable	100.00%	–%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	–%
Power and water/waste disposal		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	95.59%	95.00%
OAEM	2.41	2.77
Substandard/doubtful/loss	2.00	2.23
	100.00%	100.00%
International:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Total loans:		
Acceptable	92.41%	91.41%
OAEM	5.42	5.16
Substandard/doubtful/loss	2.17	3.43
	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	$ 558	$ 1,624	$ 2,182	$ 353,978	$ 356,160
Production and intermediate-term	2,689	2,459	5,148	204,349	209,497
Loans to cooperatives	–	–	–	2,480	2,480
Processing and marketing	–	–	–	33,581	33,581
Farm-related business	–	4	4	15,920	15,924
Communication	–	–	–	2,956	2,956
Power and water/waste disposal	–	–	–	687	687
Rural residential real estate	111	14	125	10,205	10,330
International	–	–	–	3,635	3,635
Total	$ 3,358	$ 4,101	$ 7,459	$ 627,791	$ 635,250

	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	$ 359	$ 1,366	$ 1,725	$ 336,687	$ 338,412
Production and intermediate-term	733	3,230	3,963	202,233	206,196
Loans to cooperatives	–	–	–	2,187	2,187
Processing and marketing	–	–	–	20,142	20,142
Farm-related business	79	1,253	1,332	11,887	13,219
Power and water/waste disposal	–	–	–	685	685
Rural residential real estate	53	–	53	9,321	9,374
International	–	–	–	946	946
Total	$ 1,224	$ 5,849	$ 7,073	$ 584,088	$ 591,161

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	$ 3,577	$ 4,382
Production and intermediate-term	4,054	5,225
Farm-related business	852	1,584
Rural residential real estate	207	209
Total	$ 8,690	$ 11,400
Accruing restructured loans:		
Real estate mortgage	$ 3,112	$ 5,979
Production and intermediate-term	1,086	2,270
Farm-related business	231	–
Total	$ 4,429	$ 8,249
Accruing loans 90 days or more past due:		
Total	$ –	$ –
Total nonperforming loans	$ 13,119	$ 19,649
Other property owned	88	195
Total nonperforming assets	$ 13,207	$ 19,844
Nonaccrual loans as a percentage of total loans	1.39%	1.95%
Nonperforming assets as a percentage of total loans and other property owned	2.11%	3.40%
Nonperforming assets as a percentage of capital	11.84%	19.54%

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	$ 4,197	$ 4,837
Past due	4,493	6,563
Total	$ 8,690	$ 11,400
Impaired accrual loans:		
Restructured	$ 4,429	$ 8,249
90 days or more past due	–	–
Total	$ 4,429	$ 8,249
Total impaired loans	$ 13,119	$ 19,649
Additional commitments to lend	$ 209	$ 33

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	
Impaired loans:	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans	Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:							
Real estate mortgage	$ 1,571	$ 1,674	$ 923	$ 1,671	$ 20	$ 1,973	$ 125
Production and intermediate-term	2,345	2,683	347	2,495	30	2,946	187
Farm-related business	831	869	336	885	11	1,045	66
Rural residential real estate	193	209	64	206	3	243	16
Total	$ 4,940	$ 5,435	$ 1,670	$ 5,257	$ 64	$ 6,207	$ 394
With no related allowance for credit losses:							
Real estate mortgage	$ 5,118	$ 5,476	$ –	$ 5,448	$ 67	$ 6,433	$ 409
Production and intermediate-term	2,795	7,318	–	2,974	37	3,512	223
Farm-related business	252	1,099	–	268	3	316	21
Rural residential real estate	14	19	–	14	–	17	1
Total	$ 8,179	$ 13,912	$ –	$ 8,704	$ 107	$ 10,278	$ 654
Total impaired loans:							
Real estate mortgage	$ 6,689	$ 7,150	$ 923	$ 7,119	$ 87	$ 8,406	$ 534
Production and intermediate-term	5,140	10,001	347	5,469	67	6,458	410
Farm-related business	1,083	1,968	336	1,153	14	1,361	87
Rural residential real estate	207	228	64	220	3	260	17
Total	$ 13,119	$ 19,347	$ 1,670	$ 13,961	$ 171	$ 16,485	$ 1,048

Impaired loans:	Recorded Investment (December 31, 2021)	Unpaid Principal Balance (December 31, 2021)	Related Allowance (December 31, 2021)	Average Impaired Loans (Year Ended December 31, 2021)	Interest Income Recognized on Impaired Loans (Year Ended December 31, 2021)
With a related allowance for credit losses:					
Real estate mortgage	$ 5,556	$ 5,566	$ 806	$ 5,216	$ 431
Production and intermediate-term	2,196	2,444	537	2,062	170
Farm-related business	1,314	1,296	407	1,233	102
Rural residential real estate	209	216	73	197	16
Total	$ 9,275	$ 9,522	$ 1,823	$ 8,708	719
With no related allowance for credit losses:					
Real estate mortgage	$ 4,805	$ 5,728	$ –	$ 4,511	$ 372
Production and intermediate-term	5,299	11,132	–	4,974	411
Farm-related business	270	1,196	–	254	21
Total	$ 10,374	$ 18,056	$ –	$ 9,739	$ 804
Total impaired loans:					
Real estate mortgage	$ 10,361	$ 11,294	$ 806	$ 9,727	$ 803
Production and intermediate-term	7,495	13,576	537	7,036	581
Farm-related business	1,584	2,492	407	1,487	123
Rural residential real estate	209	216	73	197	$ 16
Total	$ 19,649	$ 27,578	$ 1,823	$ 18,447	1,523

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	Total
Activity related to the allowance for credit losses:								
Balance at June 30, 2022	$ 3,973	$ 6,453	$ 1,162	$ –	$ 5	$ 105	$ 6	$ 11,704
Charge-offs	–	(155)	–	–	–	–	–	(155)
Recoveries	80	46	–	–	–	–	–	126
Provision for loan losses	(14)	556	39	19	–	3	(4)	599
Balance at September 30, 2022	$ 4,039	$ 6,900	$ 1,201	$ 19	$ 5	$ 108	$ 2	$ 12,274
Balance at December 31, 2021	$ 3,929	$ 7,599	$ 1,388	$ –	$ 5	$ 110	$ 6	$ 13,037
Charge-offs	(41)	(630)	(111)	–	–	(5)	–	(787)
Recoveries	80	254	192	–	–	–	–	526
Provision for loan losses	71	(323)	(268)	19	–	3	(4)	(502)
Balance at September 30, 2022	$ 4,039	$ 6,900	$ 1,201	$ 19	$ 5	$ 108	$ 2	$ 12,274
Balance at June 30, 2021	$ 3,255	$ 7,438	$ 1,255	$ –	$ –	$ 29	$ 7	$ 11,984
Charge-offs	(154)	(739)	(57)	–	–	–	–	(950)
Recoveries	–	96	–	–	–	–	–	96
Provision for loan losses	140	916	125	–	5	82	–	1,268
Balance at September 30, 2021	$ 3,241	$ 7,711	$ 1,323	$ –	$ 5	$ 111	$ 7	$ 12,398
Balance at December 31, 2020	$ 3,115	$ 7,427	$ 1,178	$ –	$ 38	$ 26	$ 6	$ 11,790
Charge-offs	(177)	(1,032)	(643)	–	–	–	–	(1,852)
Recoveries	119	301	–	–	–	–	–	420
Provision for loan losses	184	1,015	788	–	(33)	85	1	2,040
Balance at September 30, 2021	$ 3,241	$ 7,711	$ 1,323	$ –	$ 5	$ 111	$ 7	$ 12,398
Allowance on loans evaluated for impairment:								
Individually	$ 923	$ 347	$ 336	$ –	$ –	$ 64	$ –	$ 1,670
Collectively	3,116	6,553	865	19	5	44	2	10,604
Balance at September 30, 2022	$ 4,039	$ 6,900	$ 1,201	$ 19	$ 5	$ 108	$ 2	$ 12,274
Individually	$ 806	$ 537	$ 407	$ –	$ –	$ 73	$ –	$ 1,823
Collectively	3,123	7,062	981	–	5	37	6	11,214
Balance at December 31, 2021	$ 3,929	$ 7,599	$ 1,388	$ –	$ 5	$ 110	$ 6	$ 13,037
Recorded investment in loans evaluated for impairment:								
Individually	$ 6,689	$ 5,140	$ 1,083	$ –	$ –	$ 207	$ –	$ 13,119
Collectively	349,471	204,357	50,902	2,956	687	10,123	3,635	622,131
Balance at September 30, 2022	$ 356,160	$ 209,497	$ 51,985	$ 2,956	$ 687	$ 10,330	$ 3,635	$ 635,250
Individually	$ 10,361	$ 7,495	$ 1,584	$ –	$ –	$ 209	$ –	$ 19,649
Collectively	328,051	198,701	33,964	–	685	9,165	946	571,512
Balance at December 31, 2021	$ 338,412	$ 206,196	$ 35,548	$ –	$ 685	$ 9,374	$ 946	$ 591,161

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

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. The following tables present additional information about pre-modification and post-modification outstanding recorded investment and the effects of the modifications that occurred during the periods presented. There were no new TDRs which occurred during the three months ended September 30, 2022.

	Nine Months Ended September 30, 2022				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Farm-related business	$ –	$ 1,082	$ –	$ 1,082	
Total	$ –	$ 1,082	$ –	$ 1,082	
Post-modification:					
Farm-related business	$ –	$ 1,129	$ –	$ 1,129	$ –
Total	$ –	$ 1,129	$ –	$ 1,129	$ –

	Three Months Ended September 30, 2021				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Production and intermediate-term	$ –	$ 139	$ –	$ 139	
Total	$ –	$ 139	$ –	$ 139	
Post-modification:					
Production and intermediate-term	$ –	$ 2	$ –	$ 2	$ (29)
Total	$ –	$ 2	$ –	$ 2	$ (29)

	Nine Months Ended September 30, 2021				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Production and intermediate-term	$ –	$ 139	$ –	$ 139	
Farm-related business	303	–	–	303	
Total	$ 303	$ 139	$ –	$ 442	
Post-modification:					
Production and intermediate-term	$ –	$ 2	$ –	$ 2	$ (29)
Farm-related business	303	–	–	303	–
Total	$ 303	$ 2	$ –	$ 305	$ (29)

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Defaulted troubled debt restructurings:				
Farm-related business	$ –	$ –	$ –	$ 175
Total	$ –	$ –	$ –	$ 175

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	$ 3,296	$ 6,169	$ 184	$ 190
Production and intermediate-term	1,480	2,901	394	631
Farm-related business	1,083	127	852	127
Total loans	$ 5,859	$ 9,197	$ 1,430	$ 948
Additional commitments to lend	$ –	$ –		

Note 3 — Investments

Investments in Debt Securities

The Association's investments consist primarily 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 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	$ 5,205	$ –	$ (381)	$ 4,824	5.63%

	December 31, 2021				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 7,599	$ 832	$ –	$ 8,431	5.78%

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

	September 30, 2022		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ –	$ –	–%
After one year through five years	–	–	–
After five years through ten years	–	–	–
After ten years	5,205	4,824	5.63
Total	$ 5,205	$ 4,824	5.63%

All of these investments have 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 table shows 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. There were no investments that were in a continuous unrealized loss position at December 31, 2021.

	September 30, 2022			
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	$ 4,824	$ (381)	$ –	$ –

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.

Based on the results of all analyses, the Association has recognized no credit-related other-than-temporary impairment for the periods presented and no accretion to interest income of previously recognized credit impairment was recorded.

The Association has not recognized any credit losses as the 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.

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 1.96 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 $394 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. 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
Unrealized Gains (Losses) on Investments				
Balance at beginning of period	$ 118	$ 255	$ 246	$ 264
Other comprehensive income before reclassifications	–	–	–	–
Amounts reclassified from AOCI	(2)	(5)	(130)	(14)
Net current period other comprehensive income	(2)	(5)	(130)	(14)
Balance at end of period	$ 116	$ 250	$ 116	$ 250
Employee Benefit Plans:				
Balance at beginning of period	$ (304)	$ (325)	$ (311)	$ (332)
Other comprehensive income before reclassifications	–	–	–	–
Amounts reclassified from AOCI	4	5	11	12
Net current period other comprehensive income	4	5	11	12
Balance at end of period	$ (300)	$ (320)	$ (300)	$ (320)
Accumulated Other Comprehensive Income				
Balance at beginning of period	$ (186)	$ (70)	$ (65)	$ (68)
Other comprehensive income before reclassifications	–	–	–	–
Amounts reclassified from AOCI	2	–	(119)	(2)
Net current period other comprehensive income	2	–	(119)	(2)
Balance at end of period	$ (184)	$ (70)	$ (184)	$ (70)

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

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2022	2021	2022	2021	Income Statement Line Item
Investment Securities:					
Amortization	$ 2	$ 5	$ 130	$ 14	Interest income on investments
Net amounts reclassified	2	5	130	14	
Defined Benefit Pension Plans:					
Periodic pension costs	(4)	(5)	(11)	(12)	See Note 7.
Net amounts reclassified	(4)	(5)	(11)	(12)	
Total reclassifications for period	$ (2)	$ –	$ 119	$ 2	

(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 and 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
Recurring Measurements					
Assets:					
Assets held in trust funds	$ 890	$ 890	$ –	$ –	$ 890
Recurring Assets	$ 890	$ 890	$ –	$ –	$ 890
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 3,270	$ –	$ –	$ 3,270	$ 3,270
Other property owned	88	–	–	97	97
Nonrecurring Assets	$ 3,358	$ –	$ –	$ 3,367	$ 3,367
Other Financial Instruments					
Assets:					
Cash	$ 2	$ 2	$ –	$ –	$ 2
Investments in debt securities, held-to-maturity	5,205	–	–	4,824	4,824
Loans	610,994	–	–	572,499	572,499
Other Financial Assets	$ 616,201	$ 2	$ –	$ 577,323	$ 577,325
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 523,509	$ –	$ –	$ 490,716	$ 490,716
Other Financial Liabilities	$ 523,509	$ –	$ –	$ 490,716	$ 490,716

	December 31, 2021				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Assets held in trust funds	$ 1,251	$ 1,251	$ –	$ –	$ 1,251
Recurring Assets	$ 1,251	$ 1,251	$ –	$ –	$ 1,251
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 7,452	$ –	$ –	$ 7,452	$ 7,452
Other property owned	195	–	–	215	215
Nonrecurring Assets	$ 7,647	$ –	$ –	$ 7,667	$ 7,667
Other Financial Instruments					
Assets:					
Cash	$ 3	$ 3	$ –	$ –	$ 3
Investments in debt securities, held-to-maturity	7,599	–	–	8,431	8,431
Loans	562,637	–	–	560,800	560,800
Other Financial Assets	$ 570,239	$ 3	$ –	$ 569,231	$ 569,234
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 489,921	$ –	$ –	$ 488,553	$ 488,553
Other Financial Liabilities	$ 489,921	$ –	$ –	$ 488,553	$ 488,553

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
Investments in debt securities, held-to-maturity	Discounted cash flow	Prepayment rates Risk-adjusted discount rate
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

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	$ 59	$ 226	$ 178	$ 677
401(k)	109	80	350	269
Other postretirement benefits	61	58	186	175
Total	$ 229	$ 364	$ 714	$ 1,121

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 any 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.