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*MidAtlantic Farm Credit, ACA*  
**FIRST QUARTER 2022**

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**CERTIFICATION**

The undersigned certify that we have reviewed the March 31, 2022 quarterly report of MidAtlantic Farm Credit, 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 and regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

/s/ Thomas H. Truitt, Jr.  
Chief Executive Officer

/s/ Brian E. Rosati  
Chief Financial Officer

/s/ Brian L. Boyd  
Chair of the Board

May 9, 2022

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*MidAtlantic Farm Credit, 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 March 31, 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 March 31, 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 March 31, 2022.

/s/ Thomas H. Truitt, Jr.  
Chief Executive Officer

/s/ Brian E. Rosati  
Chief Financial Officer

May 9, 2022

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

*(dollars in thousands)*

The following commentary reviews the financial condition and results of operations of MidAtlantic Farm Credit, ACA (Association) for the period ended March 31, 2022. The comments contained in this report 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.

## LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for the financing of short-term and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio encompasses a well-diversified range of agricultural commodities, with cash grains, poultry and dairy representing the largest segments. In addition, the Association provides loans to lessors of agricultural real estate. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the opportunities for non-farm income, impacts the level of dependency on any particular commodity.

### *Comparison of March 31, 2022 to December 31, 2021*

Loans at March 31, 2022 totaled \$3,040,438 compared to \$3,040,890 at December 31, 2021, a decrease of \$452 (0.01 percent) during the three months. The Association's allowance for loan losses of \$25,284 decreased \$4,996 (16.50 percent) during the first three months of 2022, resulting in net loans (loans less allowance for loan losses) of \$3,015,154 and \$3,010,610 at March 31, 2022 and December 31, 2021, respectively. Nonaccrual loans decreased \$681 (1.81 percent) from \$37,648 at December 31, 2021 to \$36,967 at March 31, 2022, resulting in a decrease in the ratio of nonaccrual loans to total loans from 1.24 percent to 1.22 percent. In addition, Other property owned decreased from \$1,368 at December 31, 2021 (seven properties) to \$846 at March 31, 2022 (five properties).

There is an inherent risk in the extension of any type of credit and, accordingly, the Association maintains an allowance for loan losses consistent with the risk measured in the portfolio. Credit administration remains satisfactory and the overall credit quality of the Association's loan portfolio has remained

acceptable. The allowance for loan losses represented 0.83 percent and 1.00 percent of loans, and 68.40 percent and 80.43 percent of nonaccrual loans, at March 31, 2022 and December 31, 2021, respectively. See also Note 2, Loans and Allowance for Loan Losses, in the Notes to the Consolidated Financial Statements.

## RESULTS OF OPERATIONS

### *For the three months ended March 31, 2022*

Net income for the three months ended March 31, 2022 totaled \$17,071, an increase of \$4,946 (40.79 percent) compared to the three months ended March 31, 2021. Major changes in the components of net income are identified as follows:

- Net interest income for the three months was up \$160 (0.84 percent); there are several key factors impacting the results. The increase in net interest income is primarily attributable to (a) a \$530 increase due to both a change in interest rate and a \$145 million increase in the average daily balance of accruing portfolio volume, and (b) a favorable variance of \$38 due to increased earnings on free cash held at the Bank, partially offset by (c) a \$408 decrease in net interest recognized attributable to nonaccruing loans.
- The Association recorded a reversal of allowance for loan losses of \$5,000 in the first quarter of 2022. No provision for loan losses was recorded in the first quarter of 2021. The Association's nonaccrual loans to total loans decreased from 1.24 percent at December 31, 2021 to 1.22 percent of the portfolio at March 31, 2022, and decreased from 1.57 percent at March 31, 2021. See also Note 2, Loans and Allowance for Loan Losses, in the Notes to the Consolidated Financial Statements.
- "Patronage refunds from other Farm Credit institutions" on the Consolidated Statements of Comprehensive Income of \$4,324 and \$4,066, respectively, includes accruals for the quarter ended March 31, 2022 and 2021, based on first quarter operations only; management anticipates additional income for the remaining quarters in 2022. Since this income from the Bank is reasonably estimable and

because there is a history of these earnings, management is of the opinion that including this income in quarterly operations provides shareholders with a more accurate forecast of annualized net income.

- Noninterest income decrease in the first quarter of \$393 (6.94 percent) included, (a) a decrease of \$238 from Loan fees, (b) a decrease of \$181 due to losses on other transactions in the current year compared to gains in the prior year, (c) a decrease of \$145 due to decreased gains on sales of rural home loans, net, (d) a decrease of \$43 from Fees for financially related services, (e) a decrease of \$36 on decreased gains on sales of premises and equipment, net, and (f) a decrease of \$8 from other noninterest income, partially offset by (g) a \$258 increase in Patronage related income.
- Noninterest expense for the first quarter of 2022 was \$12,344 as compared to \$12,523 for the same period of 2021 or a decrease of \$179 (1.43 percent).

The three month decrease of \$894 (9.86 percent) for Salaries and employee benefits includes favorable salaries of \$228, favorable employee benefits of \$878 and unfavorable deferred personnel costs of \$212. See also Note 7, Employee Benefit Plans, in the Notes to the Consolidated Financial Statements.

Insurance Fund Premium expense increased \$45 (5.24 percent) due to the increase in loan volume during the first quarter of 2022 as compared to the first quarter of 2021. The Farm Credit System Insurance Corporation (FCSIC) premium was 0.16 percent for the first quarter of 2022 and 2021.

Occupancy and equipment and Other operating expenses increased \$749 (29.21 percent) from \$2,564 to \$3,313, which includes increases in Purchased Services and Data Processing.

- Gains on other property owned, net increased \$79. The increase is primarily related to less OPO expenses in the first quarter of 2022 as compared to the first quarter of 2021, as well as OPO sales in the first quarter of 2022.
- The Association recorded a Provision for income taxes of \$80 for the first quarters of 2022 and 2021.

## FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement (GFA). The GFA utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw

funds. The Bank advances the funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sectors. The Association utilizes the variable rate note 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. Notes payable to the Bank at March 31, 2022 was \$2,291,946 compared to \$2,338,902 at December 31, 2021. This decrease during the period of \$46,956 (2.01 percent) corresponds to the decrease in the Association's loan volume, receipt of prior year Bank patronage, current year net cash generated from operating activities, and patronage payments to stockholders.

## CAPITAL RESOURCES

Capital serves to support asset growth and provide protection against unexpected credit and interest rate risk and operating losses. Capital is also needed for future growth and investment in new products and services.

The Association Board of Directors establishes, adopts, and maintains a formal written capital adequacy plan to ensure that adequate capital is maintained for continued financial viability, to provide for growth necessary to meet the needs of members/borrowers, and to ensure that all stockholders are treated equitably. There were no material changes to the capital plan for 2022 that would affect minimum stock purchases or have an effect on the Association's ability to retire stock and distribute earnings.

Total members' equity at March 31, 2022 totaled \$678,161, an increase of \$6,870 (1.02 percent) compared to total members' equity of \$671,291 at December 31, 2021. This increase is attributed to (a) Total Comprehensive income of \$17,075 for the first three months ended March 31, 2022, (b) net increase from member capital stock/participation certificates retired of \$17, (c) an estimated \$12,500 cash patronage distribution accrual for the first three months of 2022, and (d) in 2022 the Association's Board approved an additional \$3,378 2021 cash patronage distribution to stockholders in the March 2022 distribution, slightly offset by patronage adjustments during the first quarter.

FCA sets minimum regulatory capital requirements for System banks and associations. Capital adequacy is evaluated using a number of regulatory ratios. The System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted.

Risk-adjusted assets have been defined by FCA Regulations as the Balance Sheet assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets.

The ratios are calculated using three-month average daily balances, in accordance with FCA regulations, as follows:

- The CET1 capital ratio is the sum of statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of investments in other System institutions, divided by average risk-adjusted assets.
- The Tier 1 capital ratio is CET1 capital plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- The total capital ratio is Tier 1 capital plus other required borrower stock held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance

for loan losses and reserve for unfunded commitments under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.

- The permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain investments in other System institutions, divided by PCR risk-adjusted assets.
- The Tier 1 leverage ratio is Tier 1 capital, divided by average assets less regulatory deductions to Tier 1 capital.
- The UREE leverage ratio is unallocated retained earnings, paid-in capital, and allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions to Tier 1 capital.

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

| Ratio                   | Minimum Requirement with Capital Conservation Buffer | Capital Ratios as of March 31, 2022 | Capital Ratios as of March 31, 2021 |
|-------------------------|------------------------------------------------------|-------------------------------------|-------------------------------------|
| Risk-adjusted ratios:   |                                                      |                                     |                                     |
| CET1 Capital            | 7.00%                                                | 19.98%                              | 20.38%                              |
| Tier 1 Capital          | 8.50%                                                | 19.98%                              | 20.38%                              |
| Total Capital           | 10.50%                                               | 20.96%                              | 21.85%                              |
| Permanent Capital Ratio | 7.00%                                                | 20.17%                              | 20.92%                              |
| Non-risk-adjusted:      |                                                      |                                     |                                     |
| Tier 1 Leverage Ratio   | 5.00%                                                | 21.35%                              | 21.76%                              |
| UREE Leverage Ratio     | 1.50%                                                | 20.96%                              | 21.75%                              |

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.

## Future of LIBOR

In 2017, the United Kingdom's Financial Conduct Authority (UK FCA), which regulates LIBOR, announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021.

On March 5, 2021, ICE Benchmark Administration (IBA) (the entity that is responsible for calculating LIBOR) announced its intention to cease the publication of the one-week and two-month US dollar LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining US dollar LIBOR settings immediately following the LIBOR publication on June 30, 2023. On the same day, the UK FCA announced that the IBA had notified the UK FCA of its intent, among other things, to cease providing certain US dollar LIBOR settings as of June 30, 2023. In its announcement, the UK FCA confirmed that all 35 LIBOR tenors (including with respect to US dollar LIBOR) will be discontinued or declared nonrepresentative as of either: (a) immediately after December 31, 2021 or (b) immediately after June 30, 2023.

The Association has exposure to LIBOR arising from loans made to customers, Systemwide Debt Securities issued by the

Funding Corporation on the Bank's behalf, and preferred stock issued by the Bank. Alternative reference rates that replace LIBOR may not yield the same or similar economic results over the lives of the financial instruments, which could adversely affect the value of, and return on, instruments held.

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.

On December 8, 2021, the FCA issued another informational memorandum to provide additional guidance to Farm Credit System institutions on their transition away from LIBOR. The guidance encourages Farm Credit System institutions to stop entering into new contracts that reference LIBOR as soon as practicable and in any event no later than December 31, 2021. Entering into new LIBOR-referenced contracts after that date would present safety and soundness risk. The guidance also provides clarity on what the FCA considers a new LIBOR-

indexed contract; whether purchases of legacy LIBOR-indexed loans and investments are deemed new contracts; limited exceptions for entering into new LIBOR contracts that reduce or hedge risk in legacy LIBOR contracts; and the due diligence and other procedures required before using other benchmark/reference rate alternatives to LIBOR (beyond SOFR), including credit-sensitive alternative rates.

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.

On July 26, 2021, the Alternative Reference Rates Committee (ARRC) announced it will recommend the CME Group's forward-looking SOFR term rates. The ARRC's formal recommendation of SOFR term rates is a major milestone and is expected to increase the volume of transactions quoted in SOFR, supporting the implementation of the transition away from LIBOR.

On October 20, 2021, the U.S. prudential regulators issued a joint statement emphasizing the expectation that supervised institutions with LIBOR exposure continue to progress toward an orderly transition away from LIBOR, reiterating that supervised institutions should, with limited exceptions, cease entering into new contracts that use US dollar LIBOR as a reference rate as soon as practicable, but no later than December 31, 2021. They further stated that entering into new contracts, including derivatives, after that date would create safety and soundness risks. The joint statement clarified that entering into such new contracts would include an agreement that (1) creates additional LIBOR disclosure or (2) extends the term of an existing LIBOR contract, but that a draw on an existing agreement that is legally enforceable, e.g., a committed credit facility, would not be a new contract. The joint statement also provided considerations when assessing the appropriateness of alternative reference rates used in lieu of LIBOR and the regulator expectation that new or updated LIBOR contracts include strong and clearly defined fallback rates for when the initial reference rate is discontinued.

The following is a summary of outstanding variable-rate financial instruments tied to LIBOR at March 31, 2022:

| <i>(dollars in millions)</i>                | Due in<br>2022 | Due in<br>2023 (On<br>or Before<br>June 30) | Due After<br>June 30,<br>2023 | Total      |
|---------------------------------------------|----------------|---------------------------------------------|-------------------------------|------------|
| Investments                                 | \$ —           | \$ —                                        | \$ —                          | \$ —       |
| Loans                                       | 11,752         | 5,355                                       | 174,784                       | 191,891    |
| Total Assets                                | \$ 11,752      | \$ 5,355                                    | \$ 174,784                    | \$ 191,891 |
| Note Payable to AgFirst<br>Farm Credit Bank | \$ 8,720       | \$ 3,973                                    | \$ 129,685                    | \$ 142,378 |
| Total Liabilities                           | \$ 8,720       | \$ 3,973                                    | \$ 129,685                    | \$ 142,378 |

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. At December 31, 2021, 100 percent of loans maturing after June 30, 2023 contain fallback language.

## 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 issued accounting pronouncements. Additional information is provided in the following table.

The following ASU was issued by the Financial Accounting Standards Board (FASB):

| Summary of Guidance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Adoption and Potential Financial Statement Impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <ul style="list-style-type: none"><li>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.</li><li>Changes the present incurred loss impairment guidance for loans to an expected loss model.</li><li>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.</li><li>Eliminates existing guidance for purchased credit impaired (PCI) loans, and requires recognition of an allowance for expected credit losses on these financial assets.</li><li>Requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption.</li><li>Effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application is permitted.</li></ul> | <ul style="list-style-type: none"><li>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.</li><li>The new guidance is expected to result in a change in allowance for credit losses due to several factors, including:<ol style="list-style-type: none"><li>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,</li><li>An allowance will be established for estimated credit losses on any debt securities,</li><li>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.</li></ol></li><li>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.</li><li>The guidance is expected to be adopted January 1, 2023.</li></ul> |

## SHAREHOLDER INVESTMENT

Shareholder investment in the Association may be materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank (Bank or AgFirst). Copies of the Bank’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 by going to AgFirst’s web site at [www.agfirst.com](http://www.agfirst.com). The Bank prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year. The Bank prepares an electronic version of the Quarterly report within 40 days after the end of each fiscal quarter, except that no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Bank.

## WHISTLEBLOWER

Reports of suspected or actual wrongdoing involving the Association, its employees and/or Directors, can be made anonymously and confidentially through the Association’s Whistleblower Hotline at 1-833-220-9773 or a link to the website is available at [www.midatlanticfarmcredit.ethicspoint.com](http://www.midatlanticfarmcredit.ethicspoint.com).

## NOTICE OF SIGNIFICANT EVENTS

On August 27, 2021, the Board of Directors of MidAtlantic Farm Credit, ACA and AgChoice Farm Credit, ACA signed a letter of intent to merge the two associations and entered into an Agreement and Plan of Merger. Shareholders were provided written communication regarding the potential transaction. The merger has been approved by AgFirst, preliminarily approved by FCA, and is subject to shareholder approval. If approved by all required parties the merger is expected to take effect upon the commencement of business on July 1, 2022.

# MidAtlantic Farm Credit, ACA

## Consolidated Balance Sheets

| <i>(dollars in thousands)</i>                        | March 31,<br>2022<br><i>(unaudited)</i> | December 31,<br>2021<br><i>(audited)</i> |
|------------------------------------------------------|-----------------------------------------|------------------------------------------|
| <b>Assets</b>                                        |                                         |                                          |
| Cash                                                 | \$ 5                                    | \$ 344                                   |
| Loans                                                | 3,040,438                               | 3,040,890                                |
| Allowance for loan losses                            | (25,284)                                | (30,280)                                 |
| Net loans                                            | 3,015,154                               | 3,010,610                                |
| Loans held for sale                                  | 291                                     | 1                                        |
| Other investments                                    | 328                                     | 303                                      |
| Accrued interest receivable                          | 15,383                                  | 13,092                                   |
| Equity investments in other Farm Credit institutions | 26,969                                  | 27,177                                   |
| Premises and equipment, net                          | 14,747                                  | 14,865                                   |
| Other property owned                                 | 846                                     | 1,368                                    |
| Accounts receivable                                  | 4,676                                   | 48,560                                   |
| Other assets                                         | 3,944                                   | 3,963                                    |
| Total assets                                         | \$ 3,082,343                            | \$ 3,120,283                             |
| <b>Liabilities</b>                                   |                                         |                                          |
| Notes payable to AgFirst Farm Credit Bank            | \$ 2,291,946                            | \$ 2,338,902                             |
| Accrued interest payable                             | 4,354                                   | 4,396                                    |
| Patronage refunds payable                            | 13,219                                  | 80,575                                   |
| Accounts payable                                     | 4,017                                   | 5,222                                    |
| Advanced conditional payments                        | 62                                      | 67                                       |
| Other liabilities                                    | 90,584                                  | 19,830                                   |
| Total liabilities                                    | 2,404,182                               | 2,448,992                                |
| Commitments and contingencies (Note 8)               |                                         |                                          |
| <b>Members' Equity</b>                               |                                         |                                          |
| Capital stock and participation certificates         | 11,797                                  | 11,814                                   |
| Retained earnings                                    |                                         |                                          |
| Allocated                                            | 412,719                                 | 407,650                                  |
| Unallocated                                          | 254,076                                 | 252,262                                  |
| Accumulated other comprehensive income (loss)        | (431)                                   | (435)                                    |
| Total members' equity                                | 678,161                                 | 671,291                                  |
| Total liabilities and members' equity                | \$ 3,082,343                            | \$ 3,120,283                             |

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

# MidAtlantic Farm Credit, ACA

## Consolidated Statements of Comprehensive Income

(unaudited)

|                                                                                 | For the Three Months<br>Ended March 31, |           |
|---------------------------------------------------------------------------------|-----------------------------------------|-----------|
|                                                                                 | 2022                                    | 2021      |
| <i>(dollars in thousands)</i>                                                   |                                         |           |
| <b>Interest Income</b>                                                          |                                         |           |
| Loans                                                                           | \$ 32,244                               | \$ 31,661 |
| <b>Interest Expense</b>                                                         |                                         |           |
| Notes payable to AgFirst Farm Credit Bank                                       | 13,016                                  | 12,593    |
| Net interest income                                                             | 19,228                                  | 19,068    |
| Provision for (reversal of) allowance for loan losses                           | (5,000)                                 | —         |
| Net interest income after provision for (reversal of) allowance for loan losses | 24,228                                  | 19,068    |
| <b>Noninterest Income</b>                                                       |                                         |           |
| Loan fees                                                                       | 204                                     | 442       |
| Fees for financially related services                                           | 472                                     | 515       |
| Lease income                                                                    | 35                                      | 35        |
| Patronage refunds from other Farm Credit institutions                           | 4,324                                   | 4,066     |
| Gains (losses) on sales of rural home loans, net                                | 316                                     | 461       |
| Gains (losses) on sales of premises and equipment, net                          | —                                       | 36        |
| Gains (losses) on other transactions                                            | (93)                                    | 88        |
| Other noninterest income                                                        | 9                                       | 17        |
| Total noninterest income                                                        | 5,267                                   | 5,660     |
| <b>Noninterest Expense</b>                                                      |                                         |           |
| Salaries and employee benefits                                                  | 8,177                                   | 9,071     |
| Occupancy and equipment                                                         | 538                                     | 513       |
| Insurance Fund premiums                                                         | 903                                     | 858       |
| Purchased services                                                              | 838                                     | 389       |
| Data processing                                                                 | 319                                     | 132       |
| Other operating expenses                                                        | 1,618                                   | 1,530     |
| (Gains) losses on other property owned, net                                     | (49)                                    | 30        |
| Total noninterest expense                                                       | 12,344                                  | 12,523    |
| Income before income taxes                                                      | 17,151                                  | 12,205    |
| Provision for income taxes                                                      | 80                                      | 80        |
| <b>Net income</b>                                                               | \$ 17,071                               | \$ 12,125 |
| <b>Other comprehensive income net of tax</b>                                    |                                         |           |
| Employee benefit plans adjustments                                              | 4                                       | 4         |
| <b>Comprehensive income</b>                                                     | \$ 17,075                               | \$ 12,129 |

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

# MidAtlantic Farm Credit, ACA

## Consolidated Statements of Changes in Members' Equity

(unaudited)

| <i>(dollars in thousands)</i>                                             | Capital<br>Stock and<br>Participation<br>Certificates | Retained Earnings |                   | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total<br>Members'<br>Equity |
|---------------------------------------------------------------------------|-------------------------------------------------------|-------------------|-------------------|--------------------------------------------------------|-----------------------------|
|                                                                           |                                                       | Allocated         | Unallocated       |                                                        |                             |
| Balance at December 31, 2020                                              | \$ 11,400                                             | \$ 405,105        | \$ 249,314        | \$ (495)                                               | \$ 665,324                  |
| Comprehensive income                                                      |                                                       |                   | 12,125            | 4                                                      | 12,129                      |
| Capital stock/participation<br>certificates issued/(retired), net         | 97                                                    |                   |                   |                                                        | 97                          |
| Patronage distribution                                                    |                                                       |                   |                   |                                                        |                             |
| Cash                                                                      |                                                       |                   | (7,500)           |                                                        | (7,500)                     |
| Patronage distribution adjustment                                         |                                                       | 1,923             | (4,923)           |                                                        | (3,000)                     |
| Balance at March 31, 2021                                                 | \$ 11,497                                             | \$ 407,028        | \$ 249,016        | \$ (491)                                               | \$ 667,050                  |
| <b>Balance at December 31, 2021</b>                                       | <b>\$ 11,814</b>                                      | <b>\$ 407,650</b> | <b>\$ 252,262</b> | <b>\$ (435)</b>                                        | <b>\$ 671,291</b>           |
| <b>Comprehensive income</b>                                               |                                                       |                   | <b>17,071</b>     | <b>4</b>                                               | <b>17,075</b>               |
| <b>Capital stock/participation<br/>certificates issued/(retired), net</b> | <b>(17)</b>                                           |                   |                   |                                                        | <b>(17)</b>                 |
| <b>Patronage distribution</b>                                             |                                                       |                   |                   |                                                        |                             |
| <b>Cash</b>                                                               |                                                       |                   | <b>(12,500)</b>   |                                                        | <b>(12,500)</b>             |
| <b>Patronage distribution adjustment</b>                                  |                                                       | <b>5,069</b>      | <b>(2,757)</b>    |                                                        | <b>2,312</b>                |
| <b>Balance at March 31, 2022</b>                                          | <b>\$ 11,797</b>                                      | <b>\$ 412,719</b> | <b>\$ 254,076</b> | <b>\$ (431)</b>                                        | <b>\$ 678,161</b>           |

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

# Notes to the Consolidated Financial Statements

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

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

### Organization

The accompanying financial statements include the accounts of MidAtlantic Farm Credit, 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 Updates (ASUs) Issued During the Period and Applicable to the Association

The following ASU was issued by the Financial Accounting Standards Board (FASB) since the most recent year-end:

- In March 2022, the FASB issued 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.

1. 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.

2. 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.

### ASUs Pending Effective Date

For a detailed description of the ASUs below, see the latest Annual Report.

Potential effects of ASUs issued in previous periods:

- In June 2016, the FASB issued ASU 2016-13 Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This Update, and subsequent clarifying guidance issued, is intended to improve financial reporting by requiring timelier recording of credit losses on financial instruments. It requires an organization to measure all expected credit losses for financial assets held at the reporting date through the life of the financial instrument. Financial institutions and other organizations will use forward-looking information to estimate their credit losses. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For public companies that are not SEC filers, it will take effect for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Evaluation of any possible effects the guidance may have on the statements of financial condition and results of operations is in progress.

#### **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:

|                                  | March 31, 2022 | December 31, 2021 |
|----------------------------------|----------------|-------------------|
| Real estate mortgage             | \$ 2,010,682   | \$ 2,000,305      |
| Production and intermediate-term | 730,808        | 758,322           |
| Loans to cooperatives            | 26,930         | 20,923            |
| Processing and marketing         | 87,483         | 81,753            |
| Farm-related business            | 56,731         | 53,564            |
| Communication                    | 45,385         | 42,407            |
| Power and water/waste disposal   | 665            | 725               |
| Rural residential real estate    | 56,783         | 57,922            |
| International                    | 24,971         | 24,969            |
| Total loans                      | \$ 3,040,438   | \$ 3,040,890      |

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:

|                                  | March 31, 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             | \$ 44,400                | \$ 3,110            | \$ 5,738                  | \$ —                | \$ —                       | \$ —                | \$ 50,138                | \$ 3,110            |
| Production and intermediate-term | 55,468                   | 74,706              | 23,216                    | 2,710               | —                          | —                   | 78,684                   | 77,416              |
| Loans to cooperatives            | 7,404                    | —                   | 19,570                    | —                   | —                          | —                   | 26,974                   | —                   |
| Processing and marketing         | 23,347                   | 30,285              | 3,719                     | —                   | 7,955                      | —                   | 35,021                   | 30,285              |
| Farm-related business            | 1,579                    | —                   | —                         | —                   | —                          | —                   | 1,579                    | —                   |
| Communication                    | 20,125                   | —                   | 25,346                    | —                   | —                          | —                   | 45,471                   | —                   |
| Power and water/waste disposal   | —                        | —                   | 666                       | —                   | —                          | —                   | 666                      | —                   |
| International                    | —                        | —                   | 25,000                    | —                   | —                          | —                   | 25,000                   | —                   |
| Total                            | \$ 152,323               | \$ 108,101          | \$ 103,255                | \$ 2,710            | \$ 7,955                   | \$ —                | \$ 263,533               | \$ 110,811          |

| 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             | \$ 44,746                | \$ 3,134            | \$ 286                    | \$ —                | \$ —                       | \$ —                | \$ 45,032                | \$ 3,134            |
| Production and intermediate-term | 56,024                   | 73,391              | 19,339                    | 2,284               | —                          | —                   | 75,363                   | 75,675              |
| Loans to cooperatives            | 9,765                    | —                   | 11,205                    | —                   | —                          | —                   | 20,970                   | —                   |
| Processing and marketing         | 22,744                   | 30,297              | 3,803                     | —                   | 3,555                      | —                   | 30,102                   | 30,297              |
| Farm-related business            | 1,579                    | —                   | 65                        | —                   | —                          | —                   | 1,644                    | —                   |
| Communication                    | 17,243                   | —                   | 25,258                    | —                   | —                          | —                   | 42,501                   | —                   |
| Power and water/waste disposal   | —                        | —                   | 726                       | —                   | —                          | —                   | 726                      | —                   |
| International                    | —                        | —                   | 25,000                    | —                   | —                          | —                   | 25,000                   | —                   |
| Total                            | \$ 152,101               | \$ 106,822          | \$ 85,682                 | \$ 2,284            | \$ 3,555                   | \$ —                | \$ 241,338               | \$ 109,106          |

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:

|                                          | March 31, 2022 | December 31, 2021 |                                        | March 31, 2022 | December 31, 2021 |
|------------------------------------------|----------------|-------------------|----------------------------------------|----------------|-------------------|
| <b>Real estate mortgage:</b>             |                |                   | <b>Communication:</b>                  |                |                   |
| Acceptable                               | 94.49%         | 94.31%            | Acceptable                             | 100.00%        | 100.00%           |
| OAEM                                     | 2.65           | 2.62              | OAEM                                   | 0.00           | 0.00              |
| Substandard/doubtful/loss                | 2.86           | 3.07              | Substandard/doubtful/loss              | 0.00           | 0.00              |
|                                          | 100.00%        | 100.00%           |                                        | 100.00%        | 100.00%           |
| <b>Production and intermediate-term:</b> |                |                   | <b>Power and water/waste disposal:</b> |                |                   |
| Acceptable                               | 95.20%         | 94.86%            | Acceptable                             | 100.00%        | 100.00%           |
| OAEM                                     | 2.43           | 2.65              | OAEM                                   | 0.00           | 0.00              |
| Substandard/doubtful/loss                | 2.37           | 2.49              | Substandard/doubtful/loss              | 0.00           | 0.00              |
|                                          | 100.00%        | 100.00%           |                                        | 100.00%        | 100.00%           |
| <b>Loans to cooperatives:</b>            |                |                   | <b>Rural residential real estate:</b>  |                |                   |
| Acceptable                               | 99.93%         | 70.86%            | Acceptable                             | 96.43%         | 95.97%            |
| OAEM                                     | 0.07           | 29.14             | OAEM                                   | 2.00           | 2.01              |
| Substandard/doubtful/loss                | 0.00           | 0.00              | Substandard/doubtful/loss              | 1.57           | 2.02              |
|                                          | 100.00%        | 100.00%           |                                        | 100.00%        | 100.00%           |
| <b>Processing and marketing:</b>         |                |                   | <b>International:</b>                  |                |                   |
| Acceptable                               | 100.00%        | 100.00%           | Acceptable                             | 100.00%        | 100.00%           |
| OAEM                                     | 0.00           | 0.00              | OAEM                                   | 0.00           | 0.00              |
| Substandard/doubtful/loss                | 0.00           | 0.00              | Substandard/doubtful/loss              | 0.00           | 0.00              |
|                                          | 100.00%        | 100.00%           |                                        | 100.00%        | 100.00%           |
| <b>Farm-related business:</b>            |                |                   | <b>Total loans:</b>                    |                |                   |
| Acceptable                               | 94.34%         | 95.35%            | Acceptable                             | 95.03%         | 94.61%            |
| OAEM                                     | 5.64           | 4.63              | OAEM                                   | 2.48           | 2.71              |
| Substandard/doubtful/loss                | 0.02           | 0.02              | Substandard/doubtful/loss              | 2.49           | 2.68              |
|                                          | 100.00%        | 100.00%           |                                        | 100.00%        | 100.00%           |

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

|                                  | March 31, 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             | \$ 3,379                    | \$ 13,824                | \$ 17,203      | \$ 2,004,307                               | \$ 2,021,510 |
| Production and intermediate-term | 1,486                       | 6,168                    | 7,654          | 727,028                                    | 734,682      |
| Loans to cooperatives            | —                           | —                        | —              | 26,999                                     | 26,999       |
| Processing and marketing         | —                           | —                        | —              | 87,611                                     | 87,611       |
| Farm-related business            | 18                          | 9                        | 27             | 56,912                                     | 56,939       |
| Communication                    | —                           | —                        | —              | 45,390                                     | 45,390       |
| Power and water/waste disposal   | —                           | —                        | —              | 667                                        | 667          |
| Rural residential real estate    | 243                         | 11                       | 254            | 56,758                                     | 57,012       |
| International                    | —                           | —                        | —              | 25,011                                     | 25,011       |
| Total                            | \$ 5,126                    | \$ 20,012                | \$ 25,138      | \$ 3,030,683                               | \$ 3,055,821 |

| December 31, 2021                |                                   |                             |                |                                                  |              |
|----------------------------------|-----------------------------------|-----------------------------|----------------|--------------------------------------------------|--------------|
|                                  | 30 Through<br>89 Days Past<br>Due | 90 Days or More<br>Past Due | Total Past Due | Not Past Due or<br>Less Than 30<br>Days Past Due | Total Loans  |
| Real estate mortgage             | \$ 7,957                          | \$ 13,325                   | \$ 21,282      | \$ 1,987,868                                     | \$ 2,009,150 |
| Production and intermediate-term | 3,226                             | 4,574                       | 7,800          | 754,348                                          | 762,148      |
| Loans to cooperatives            | —                                 | —                           | —              | 20,945                                           | 20,945       |
| Processing and marketing         | —                                 | —                           | —              | 81,795                                           | 81,795       |
| Farm-related business            | 169                               | 9                           | 178            | 53,537                                           | 53,715       |
| Communication                    | —                                 | —                           | —              | 42,411                                           | 42,411       |
| Power and water/waste disposal   | —                                 | —                           | —              | 741                                              | 741          |
| Rural residential real estate    | 507                               | 87                          | 594            | 57,482                                           | 58,076       |
| International                    | —                                 | —                           | —              | 25,001                                           | 25,001       |
| Total                            | \$ 11,859                         | \$ 17,995                   | \$ 29,854      | \$ 3,024,128                                     | \$ 3,053,982 |

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

|                                                                                 | March 31, 2022 | December 31, 2021 |
|---------------------------------------------------------------------------------|----------------|-------------------|
| <b>Nonaccrual loans:</b>                                                        |                |                   |
| Real estate mortgage                                                            | \$ 28,502      | \$ 28,474         |
| Production and intermediate-term                                                | 8,063          | 8,540             |
| Farm-related business                                                           | 9              | 9                 |
| Rural residential real estate                                                   | 393            | 625               |
| Total                                                                           | \$ 36,967      | \$ 37,648         |
| <b>Accruing restructured loans:</b>                                             |                |                   |
| Real estate mortgage                                                            | \$ 21,239      | \$ 21,745         |
| Production and intermediate-term                                                | 4,130          | 4,957             |
| Farm-related business                                                           | 125            | 133               |
| Rural residential real estate                                                   | 468            | 472               |
| Total                                                                           | \$ 25,962      | \$ 27,307         |
| <b>Accruing loans 90 days or more past due:</b>                                 |                |                   |
| Production and intermediate-term                                                | \$ —           | \$ 220            |
| Total                                                                           | \$ —           | \$ 220            |
| Total nonperforming loans                                                       | \$ 62,929      | \$ 65,175         |
| Other property owned                                                            | 846            | 1,368             |
| Total nonperforming assets                                                      | \$ 63,775      | \$ 66,543         |
| Nonaccrual loans as a percentage of total loans                                 | 1.22%          | 1.24%             |
| Nonperforming assets as a percentage of total loans<br>and other property owned | 2.10%          | 2.19%             |
| Nonperforming assets as a percentage of capital                                 | 9.40%          | 9.91%             |

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.

|                                      | March 31, 2022 | December 31, 2021 |
|--------------------------------------|----------------|-------------------|
| <b>Impaired nonaccrual loans:</b>    |                |                   |
| Current as to principal and interest | \$ 14,596      | \$ 14,953         |
| Past due                             | 22,371         | 22,695            |
| Total                                | \$ 36,967      | \$ 37,648         |
| <b>Impaired accrual loans:</b>       |                |                   |
| Restructured                         | \$ 25,962      | \$ 27,307         |
| 90 days or more past due             | —              | 220               |
| Total                                | \$ 25,962      | \$ 27,527         |
| Total impaired loans                 | \$ 62,929      | \$ 65,175         |
| Additional commitments to lend       | \$ —           | \$ 23             |

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

| Impaired loans:                                     | March 31, 2022      |                          |                   | Three Months Ended March 31, 2022 |                                              |
|-----------------------------------------------------|---------------------|--------------------------|-------------------|-----------------------------------|----------------------------------------------|
|                                                     | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Impaired Loans            | Interest Income Recognized on Impaired Loans |
| <b>With a related allowance for credit losses:</b>  |                     |                          |                   |                                   |                                              |
| Real estate mortgage                                | \$ 7,821            | \$ 9,567                 | \$ 2,980          | \$ 7,809                          | \$ 9                                         |
| Production and intermediate-term                    | 4,957               | 5,737                    | 2,613             | 4,950                             | 7                                            |
| Farm-related business                               | 9                   | 25                       | 3                 | 9                                 | —                                            |
| Rural residential real estate                       | 401                 | 532                      | 81                | 401                               | 1                                            |
| Total                                               | \$ 13,188           | \$ 15,861                | \$ 5,677          | \$ 13,169                         | \$ 17                                        |
| <b>With no related allowance for credit losses:</b> |                     |                          |                   |                                   |                                              |
| Real estate mortgage                                | \$ 41,920           | \$ 47,374                | \$ —              | \$ 41,862                         | \$ 57                                        |
| Production and intermediate-term                    | 7,236               | 9,402                    | —                 | 7,226                             | 9                                            |
| Farm-related business                               | 125                 | 269                      | —                 | 125                               | —                                            |
| Rural residential real estate                       | 460                 | 508                      | —                 | 459                               | —                                            |
| Total                                               | \$ 49,741           | \$ 57,553                | \$ —              | \$ 49,672                         | \$ 66                                        |
| <b>Total impaired loans:</b>                        |                     |                          |                   |                                   |                                              |
| Real estate mortgage                                | \$ 49,741           | \$ 56,941                | \$ 2,980          | \$ 49,671                         | \$ 66                                        |
| Production and intermediate-term                    | 12,193              | 15,139                   | 2,613             | 12,176                            | 16                                           |
| Farm-related business                               | 134                 | 294                      | 3                 | 134                               | —                                            |
| Rural residential real estate                       | 861                 | 1,040                    | 81                | 860                               | 1                                            |
| Total                                               | \$ 62,929           | \$ 73,414                | \$ 5,677          | \$ 62,841                         | \$ 83                                        |

| Impaired loans:                                     | December 31, 2021   |                          |                   | Year Ended December 31, 2021 |                                              |
|-----------------------------------------------------|---------------------|--------------------------|-------------------|------------------------------|----------------------------------------------|
|                                                     | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Impaired Loans       | Interest Income Recognized on Impaired Loans |
| <b>With a related allowance for credit losses:</b>  |                     |                          |                   |                              |                                              |
| Real estate mortgage                                | \$ 9,212            | \$ 10,920                | \$ 3,064          | \$ 10,306                    | \$ 441                                       |
| Production and intermediate-term                    | 5,241               | 6,007                    | 2,783             | 5,862                        | 251                                          |
| Farm-related business                               | 9                   | 25                       | 3                 | 9                            | 1                                            |
| Rural residential real estate                       | 445                 | 565                      | 90                | 498                          | 21                                           |
| Total                                               | \$ 14,907           | \$ 17,517                | \$ 5,940          | \$ 16,675                    | \$ 714                                       |
| <b>With no related allowance for credit losses:</b> |                     |                          |                   |                              |                                              |
| Real estate mortgage                                | \$ 41,007           | \$ 45,995                | \$ —              | \$ 45,871                    | \$ 1,964                                     |
| Production and intermediate-term                    | 8,476               | 10,607                   | —                 | 9,483                        | 406                                          |
| Farm-related business                               | 133                 | 276                      | —                 | 150                          | 7                                            |
| Rural residential real estate                       | 652                 | 752                      | —                 | 730                          | 31                                           |
| Total                                               | \$ 50,268           | \$ 57,630                | \$ —              | \$ 56,234                    | \$ 2,408                                     |
| <b>Total impaired loans:</b>                        |                     |                          |                   |                              |                                              |
| Real estate mortgage                                | \$ 50,219           | \$ 56,915                | \$ 3,064          | \$ 56,177                    | \$ 2,405                                     |
| Production and intermediate-term                    | 13,717              | 16,614                   | 2,783             | 15,345                       | 657                                          |
| Farm-related business                               | 142                 | 301                      | 3                 | 159                          | 8                                            |
| Rural residential real estate                       | 1,097               | 1,317                    | 90                | 1,228                        | 52                                           |
| Total                                               | \$ 65,175           | \$ 75,147                | \$ 5,940          | \$ 72,909                    | \$ 3,122                                     |

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

|                                                               | Real Estate<br>Mortgage | Production and<br>Intermediate-<br>term | Agribusiness* | Communication | Power and<br>Water/Waste<br>Disposal | Rural<br>Residential<br>Real Estate | International | Total        |
|---------------------------------------------------------------|-------------------------|-----------------------------------------|---------------|---------------|--------------------------------------|-------------------------------------|---------------|--------------|
| <b>Activity related to the allowance for credit losses:</b>   |                         |                                         |               |               |                                      |                                     |               |              |
| Balance at December 31, 2021                                  | \$ 12,282               | \$ 15,941                               | \$ 1,691      | \$ 66         | \$ —                                 | \$ 278                              | \$ 22         | \$ 30,280    |
| Charge-offs                                                   | —                       | —                                       | —             | —             | —                                    | —                                   | —             | —            |
| Recoveries                                                    | —                       | 4                                       | —             | —             | —                                    | —                                   | —             | 4            |
| Provision for loan losses                                     | (979)                   | (3,492)                                 | (497)         | —             | —                                    | (31)                                | (1)           | (5,000)      |
| Balance at March 31, 2022                                     | \$ 11,303               | \$ 12,453                               | \$ 1,194      | \$ 66         | \$ —                                 | \$ 247                              | \$ 21         | \$ 25,284    |
| Balance at December 31, 2020                                  | \$ 15,617               | \$ 18,333                               | \$ 1,719      | \$ 115        | \$ 2                                 | \$ 323                              | \$ 22         | \$ 36,131    |
| Charge-offs                                                   | —                       | —                                       | —             | —             | —                                    | —                                   | —             | —            |
| Recoveries                                                    | 146                     | 8                                       | —             | —             | —                                    | —                                   | —             | 154          |
| Provision for loan losses                                     | (506)                   | 105                                     | 391           | (1)           | —                                    | 7                                   | 4             | —            |
| Balance at March 31, 2021                                     | \$ 15,257               | \$ 18,446                               | \$ 2,110      | \$ 114        | \$ 2                                 | \$ 330                              | \$ 26         | \$ 36,285    |
| <b>Allowance on loans evaluated for impairment:</b>           |                         |                                         |               |               |                                      |                                     |               |              |
| Individually                                                  | \$ 2,980                | \$ 2,613                                | \$ 3          | \$ —          | \$ —                                 | \$ 81                               | \$ —          | \$ 5,677     |
| Collectively                                                  | 8,323                   | 9,840                                   | 1,191         | 66            | —                                    | 166                                 | 21            | 19,607       |
| Balance at March 31, 2022                                     | \$ 11,303               | \$ 12,453                               | \$ 1,194      | \$ 66         | \$ —                                 | \$ 247                              | \$ 21         | \$ 25,284    |
| Individually                                                  | \$ 3,064                | \$ 2,783                                | \$ 3          | \$ —          | \$ —                                 | \$ 90                               | \$ —          | \$ 5,940     |
| Collectively                                                  | 9,218                   | 13,158                                  | 1,688         | 66            | —                                    | 188                                 | 22            | 24,340       |
| Balance at December 31, 2021                                  | \$ 12,282               | \$ 15,941                               | \$ 1,691      | \$ 66         | \$ —                                 | \$ 278                              | \$ 22         | \$ 30,280    |
| <b>Recorded investment in loans evaluated for impairment:</b> |                         |                                         |               |               |                                      |                                     |               |              |
| Individually                                                  | \$ 28,502               | \$ 8,063                                | \$ 9          | \$ —          | \$ —                                 | \$ 393                              | \$ —          | \$ 36,967    |
| Collectively                                                  | 1,993,008               | 726,619                                 | 171,540       | 45,390        | 667                                  | 56,619                              | 25,011        | 3,018,854    |
| Balance at March 31, 2022                                     | \$ 2,021,510            | \$ 734,682                              | \$ 171,549    | \$ 45,390     | \$ 667                               | \$ 57,012                           | \$ 25,011     | \$ 3,055,821 |
| Individually                                                  | \$ 28,474               | \$ 8,540                                | \$ 9          | \$ —          | \$ —                                 | \$ 625                              | \$ —          | \$ 37,648    |
| Collectively                                                  | 1,980,676               | 753,608                                 | 156,446       | 42,411        | 741                                  | 57,451                              | 25,001        | 3,016,334    |
| Balance at December 31, 2021                                  | \$ 2,009,150            | \$ 762,148                              | \$ 156,455    | \$ 42,411     | \$ 741                               | \$ 58,076                           | \$ 25,001     | \$ 3,053,982 |

\*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.

| Three Months Ended March 31, 2022 |                         |                          |                      |          |             |
|-----------------------------------|-------------------------|--------------------------|----------------------|----------|-------------|
| Outstanding Recorded Investment   | Interest<br>Concessions | Principal<br>Concessions | Other<br>Concessions | Total    | Charge-offs |
| <b>Pre-modification:</b>          |                         |                          |                      |          |             |
| Real estate mortgage              | \$ —                    | \$ 506                   | \$ —                 | \$ 506   |             |
| Production and intermediate-term  | —                       | 695                      | —                    | 695      |             |
| Total                             | \$ —                    | \$ 1,201                 | \$ —                 | \$ 1,201 |             |
| <b>Post-modification:</b>         |                         |                          |                      |          |             |
| Real estate mortgage              | \$ —                    | \$ 540                   | \$ —                 | \$ 540   | \$ —        |
| Production and intermediate-term  | —                       | 697                      | —                    | 697      | —           |
| Total                             | \$ —                    | \$ 1,237                 | \$ —                 | \$ 1,237 | \$ —        |
| Three Months Ended March 31, 2021 |                         |                          |                      |          |             |
| Outstanding Recorded Investment   | Interest<br>Concessions | Principal<br>Concessions | Other<br>Concessions | Total    | Charge-offs |
| <b>Pre-modification:</b>          |                         |                          |                      |          |             |
| Real estate mortgage              | \$ 270                  | \$ 5,163                 | \$ —                 | \$ 5,433 |             |
| Production and intermediate-term  | 360                     | 2,108                    | —                    | 2,468    |             |
| Processing and marketing          | —                       | —                        | —                    | —        |             |
| Total                             | \$ 630                  | \$ 7,271                 | \$ —                 | \$ 7,901 |             |
| <b>Post-modification:</b>         |                         |                          |                      |          |             |
| Real estate mortgage              | \$ 266                  | \$ 5,190                 | \$ —                 | \$ 5,456 | \$ —        |
| Production and intermediate-term  | 371                     | 2,106                    | —                    | 2,477    | —           |
| Processing and marketing          | 1                       | —                        | —                    | 1        | —           |
| Total                             | \$ 638                  | \$ 7,296                 | \$ —                 | \$ 7,934 | \$ —        |

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 periods presented. Payment default is defined as a payment that was thirty days or more past due.

|                                                | Three Months Ended March 31, |        |
|------------------------------------------------|------------------------------|--------|
|                                                | 2022                         | 2021   |
| <b>Defaulted troubled debt restructurings:</b> |                              |        |
| Real estate mortgage                           | \$ 244                       | \$ —   |
| Production and intermediate-term               | —                            | 224    |
| Rural residential real estate                  | 89                           | —      |
| Total                                          | \$ 333                       | \$ 224 |

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

|                                  | Total TDRs     |                   | Nonaccrual TDRs |                   |
|----------------------------------|----------------|-------------------|-----------------|-------------------|
|                                  | March 31, 2022 | December 31, 2021 | March 31, 2022  | December 31, 2021 |
| Real estate mortgage             | \$ 35,928      | \$ 36,495         | \$ 14,689       | \$ 14,750         |
| Production and intermediate-term | 8,527          | 9,493             | 4,397           | 4,536             |
| Farm-related business            | 134            | 142               | 9               | 9                 |
| Rural residential real estate    | 623            | 635               | 155             | 163               |
| Total loans                      | \$ 45,212      | \$ 46,765         | \$ 19,250       | \$ 19,458         |
| Additional commitments to lend   | \$ —           | \$ 23             |                 |                   |

### Note 3 — Investments

#### *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 9.54 percent of the issued stock of the Bank as of March 31, 2022 net of any reciprocal investment. As of that date, the Bank's assets totaled \$39.1 billion and

shareholders' equity totaled \$2.0 billion. The Bank's earnings were \$113 million for the first three months of 2022. In addition, the Association held investments of \$2,473 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 March 31                                        |          |
|                                                     | 2022                                                               | 2021     |
| <b>Employee Benefit Plans:</b>                      |                                                                    |          |
| Balance at beginning of period                      | \$ (435)                                                           | \$ (495) |
| Other comprehensive income before reclassifications | —                                                                  | —        |
| Amounts reclassified from AOCI                      | 4                                                                  | 4        |
| Net current period other comprehensive income       | 4                                                                  | 4        |
| Balance at end of period                            | \$ (431)                                                           | \$ (491) |

| Reclassifications Out of Accumulated Other Comprehensive Income (b) |        |        |                            |
|---------------------------------------------------------------------|--------|--------|----------------------------|
| Three Months Ended March 31                                         |        |        |                            |
|                                                                     | 2022   | 2021   | Income Statement Line Item |
| <b>Defined Benefit Pension Plans:</b>                               |        |        |                            |
| Periodic pension costs                                              | \$ (4) | \$ (4) | See Note 7.                |
| Net amounts reclassified                                            | \$ (4) | \$ (4) |                            |

(a) Amounts in parentheses indicate debits to AOCI.

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

## Note 6 — Fair Value Measurement

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

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

The classifications within the fair value hierarchy are as follows:

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

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

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

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

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

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

| March 31, 2022                            |                       |          |         |              |    |                  |
|-------------------------------------------|-----------------------|----------|---------|--------------|----|------------------|
|                                           | Total Carrying Amount | Level 1  | Level 2 | Level 3      |    | Total Fair Value |
| <b><u>Recurring Measurements</u></b>      |                       |          |         |              |    |                  |
| <b>Assets:</b>                            |                       |          |         |              |    |                  |
| Assets held in trust funds                | \$ 2,884              | \$ 2,884 | \$ —    | \$ —         | \$ | 2,884            |
| Recurring Assets                          | \$ 2,884              | \$ 2,884 | \$ —    | \$ —         | \$ | 2,884            |
| <b>Liabilities:</b>                       |                       |          |         |              |    |                  |
| Recurring Liabilities                     | \$ —                  | \$ —     | \$ —    | \$ —         | \$ | —                |
| <b><u>Nonrecurring Measurements</u></b>   |                       |          |         |              |    |                  |
| <b>Assets:</b>                            |                       |          |         |              |    |                  |
| Impaired loans                            | \$ 7,511              | \$ —     | \$ —    | \$ 7,511     | \$ | 7,511            |
| Other property owned                      | 846                   | —        | —       | 940          | \$ | 940              |
| Nonrecurring Assets                       | \$ 8,357              | \$ —     | \$ —    | \$ 8,451     | \$ | 8,451            |
| <b><u>Other Financial Instruments</u></b> |                       |          |         |              |    |                  |
| <b>Assets:</b>                            |                       |          |         |              |    |                  |
| Cash                                      | \$ 5                  | \$ 5     | \$ —    | \$ —         | \$ | 5                |
| Loans                                     | 3,007,934             | —        | —       | 2,905,817    | \$ | 2,905,817        |
| Other Financial Assets                    | \$ 3,007,939          | \$ 5     | \$ —    | \$ 2,905,817 | \$ | 2,905,822        |
| <b>Liabilities:</b>                       |                       |          |         |              |    |                  |
| Notes payable to AgFirst Farm Credit Bank | \$ 2,291,946          | \$ —     | \$ —    | \$ 2,221,282 | \$ | 2,221,282        |
| Other Financial Liabilities               | \$ 2,291,946          | \$ —     | \$ —    | \$ 2,221,282 | \$ | 2,221,282        |

December 31, 2021

|                                           | Total<br>Carrying<br>Amount | Level 1  | Level 2 | Level 3      | Total<br>Fair<br>Value |
|-------------------------------------------|-----------------------------|----------|---------|--------------|------------------------|
| <b>Recurring Measurements</b>             |                             |          |         |              |                        |
| <b>Assets:</b>                            |                             |          |         |              |                        |
| Assets held in trust funds                | \$ 2,985                    | \$ 2,985 | \$ —    | \$ —         | \$ 2,985               |
| Recurring Assets                          | \$ 2,985                    | \$ 2,985 | \$ —    | \$ —         | \$ 2,985               |
| <b>Liabilities:</b>                       |                             |          |         |              |                        |
| Recurring Liabilities                     | \$ —                        | \$ —     | \$ —    | \$ —         | \$ —                   |
| <b>Nonrecurring Measurements</b>          |                             |          |         |              |                        |
| <b>Assets:</b>                            |                             |          |         |              |                        |
| Impaired loans                            | \$ 8,967                    | \$ —     | \$ —    | \$ 8,967     | \$ 8,967               |
| Other property owned                      | 1,368                       | —        | —       | 1,520        | 1,520                  |
| Nonrecurring Assets                       | \$ 10,335                   | \$ —     | \$ —    | \$ 10,487    | \$ 10,487              |
| <b>Other Financial Instruments</b>        |                             |          |         |              |                        |
| <b>Assets:</b>                            |                             |          |         |              |                        |
| Cash                                      | \$ 344                      | \$ 344   | \$ —    | \$ —         | \$ 344                 |
| Loans                                     | 3,001,644                   | —        | —       | 2,982,289    | 2,982,289              |
| Other Financial Assets                    | \$ 3,001,988                | \$ 344   | \$ —    | \$ 2,982,289 | \$ 2,982,633           |
| <b>Liabilities:</b>                       |                             |          |         |              |                        |
| Notes payable to AgFirst Farm Credit Bank | \$ 2,338,902                | \$ —     | \$ —    | \$ 2,325,417 | \$ 2,325,417           |
| Other Financial Liabilities               | \$ 2,338,902                | \$ —     | \$ —    | \$ 2,325,417 | \$ 2,325,417           |

### 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 in the tables that follow. 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.

### 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<br>Probability of default<br>Loss severity |
| Notes payable to AgFirst Farm Credit Bank | Discounted cash flow   | Prepayment forecasts<br>Probability of default<br>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<br>March 31 |          |
|-------------------------------|--------------------------------|----------|
|                               | 2022                           | 2021     |
| Pension                       | \$ 714                         | \$ 1,415 |
| 401(k)                        | 390                            | 426      |
| Other postretirement benefits | 143                            | 165      |
| Total                         | \$ 1,247                       | \$ 2,006 |

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 — Merger Activity

On August 27, 2021, the Board of Directors of MidAtlantic Farm Credit, ACA and AgChoice Farm Credit, ACA signed a letter of intent to merge the two associations and entered into an Agreement and Plan of Merger. Shareholders were provided written communication regarding the potential transaction. The merger has been approved by AgFirst, preliminarily approved by FCA, and is subject to shareholder approval. If approved by all required parties the merger is expected to take effect upon the commencement of business on July 1, 2022.

## Note 10 — Subsequent Events

The Association evaluated subsequent events and determined there were none requiring disclosure through May 9, 2022, which was the date the financial statements were issued.