Farm Credit Southeast Missouri, ACA

Quarterly Report
June 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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FORWARD-LOOKING INFORMATION

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

AGRICULTURAL AND ECONOMIC CONDITIONS

Land Values: The average benchmark farmland value change in 2021 was an increase of 7.08%, compared to -0.69% and +0.37% in 2020 and 2019, respectively. The stronger land value change in 2021 is indicative of the higher commodity prices compared to prior years and is anticipated that farmland values will also see an increase in 2022.

Commodity Prices: While U.S. grain market prices remain at strong levels, we did see some volatility during the second quarter with prices ending lower than they were at the end of the first quarter of 2022. The recent bearish market driving lower prices is attributed to uncertainty related to global financial markets (40-year high inflation and growing fears of a recession) as well as global supply (Russia-Ukraine War) and demand (China) concerns. All things considered, it is still anticipated that stronger net farm income will be recognized in 2022 and there are no significant concerns regarding net income and repayment abilities at this time.

Crop Conditions: Frequent, heavy rainfall in the early part of the second quarter led to planting delays for corn and early soybeans with some replants being required throughout the territory. Weather conditions were more favorable in the second half of the quarter which allowed for the remainder of crops to be planted and get a good stand. Overall, irrigated crops look very good. Recent drier, hotter weather has become a concern for dryland, non-irrigated crops, but it is too early to say what the impact may be to 2022 yields. Wheat harvest during the second quarter went well and yields were reported as average to above average across the area.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $853.2 million at June 30, 2022, an increase of $11.9 million from December 31, 2021. The increase was primarily due to seasonal loan disbursements and mortgage loan growth.

Portfolio Credit Quality

The credit quality of our portfolio improved by 0.5% from December 31, 2021. Adversely classified loans decreased to 0.7% of the portfolio at June 30, 2022, from 1.2% of the portfolio at December 31, 2021. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, the Federal Agricultural Mortgage Corporation and other government agency guarantee programs are used to reduce the risk of loss. At June 30, 2022, $53.7 million of our loans were substantially guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	**June 30, 2022**	December 31, 2021
Loans:		
Nonaccrual	**$ 504**	$ 589
Accruing restructured	**--**	266
Accruing loans 90 days or more past due	**--**	1,651
Total risk loans	**504**	2,506
Other property owned	**--**	--
Total risk assets	**$ 504**	$ 2,506
Total risk loans as a percentage of total loans	**0.1%**	0.3%
Nonaccrual loans as a percentage of total loans	**0.1%**	0.1%
Current nonaccrual loans as a percentage of total nonaccrual loans	**15.3%**	44.1%
Total delinquencies as a percentage of total loans	**0.4%**	0.8%

Note: Accruing loans include accrued interest receivable.

Our risk assets have decreased from December 31, 2021, and have remained at acceptable levels. Total risk loans as a percentage of total loans were well within our established risk management guidelines.

The decrease in accruing restructured loans was due to the payoff of a restructured loan during the second quarter. As of June 30, 2022, there are no accruing restructured loans.

The decrease in accruing loans 90 days or more past due was due to the payoff of two loans fully guaranteed by the United States Department of Agriculture. Our accounting policy requires loans past due 90 days or more to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis, accruing loans 90 days or more past due as of December 31, 2021, were eligible to remain in accruing status. As of June 30, 2022, there are no accruing loans 90 days or more past due.

The decrease in total delinquencies as a percentage of total loans was primarily due to a decrease in past due performing mortgage loans 30 to 89 days and 90 days or more past due.

Allowance for Loan Losses

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

Allowance Coverage Ratios

As of:	**June 30, 2022**	December 31, 2021
Allowance as a percentage of:		
Loans	**0.1%**	0.2%
Nonaccrual loans	**221.6%**	214.8%
Total risk loans	**221.6%**	50.5%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at June 30, 2022.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the six months ended June 30		**2022**		2021
Net income	**$**	**8,392**	$	9,269
Return on average assets		**1.9%**		2.3%
Return on average members' equity		**9.0%**		10.5%

Changes presented in the profitability information chart relate directly to:

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

Changes in Significant Components of Net Income

(in thousands) For the six months ended June 30		**2022**		2021		**Increase (decrease) in net income**
Net interest income	**$**	**11,790**	$	11,393	**$**	**397**
(Reversal of) provision for credit losses		**(141)**		103		**244**
Non-interest income		**2,298**		2,930		**(632)**
Non-interest expense		**5,705**		4,907		**(798)**
Provision for income taxes		**132**		44		**(88)**
Net income	**$**	**8,392**	$	9,269	**$**	**(877)**

(Reversal of) Provision for Credit Losses

The change in the (reversal of) provision for credit losses was related to our estimate of losses in our portfolio for the applicable years. The second quarter 2022 reversal of the provision for credit losses was due to a decrease in general reserves, as well as partial recoveries on loans that were previously charged off. These items were partially offset by an increase in the specific reserve related to certain nonaccrual loans.

Non-Interest Income

The change in non-interest income was primarily due to fee income and other non-interest income.

Fee Income: The decrease in fee income was primarily due to fees no longer being collected from the Small Business Administration (SBA) for originating Paycheck Protection Program (PPP) loans in the first six months of 2022 compared to 2021.

Other Non-interest Income: In the first quarter of 2021, a gain was recognized on the sale of one of our branch office buildings. No similar transaction occurred in the first or second quarter of 2022.

Non-Interest Expense

The change in non-interest expense was primarily related to an increase in salaries and employee benefits due to an increase in staffing and an increase in other operating expenses. Other operating expenses increased due to an increase in the price of purchased services from SunStream and AgriBank, as well as an increase in director compensation, training, and travel costs related to in-person events. Other operating expenses also increased due to a non-recurring expense recorded in the first quarter of 2022 for the allocation of certain retirement benefit costs related to our participation in the CentRic Technology Collaboration.

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

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable is scheduled to mature on December 31, 2024. We intend to renegotiate the note payable no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

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

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

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

Total members' equity increased $5.4 million from December 31, 2021, primarily due to net income for the period, which was partially offset by patronage distribution accruals.

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

Regulatory Capital Requirements and Ratios

As of:	**June 30, 2022**	December 31, 2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**18.9%**	18.6%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**18.9%**	18.6%	6.0%	2.5%	8.5%
Total capital ratio	**19.0%**	18.8%	8.0%	2.5%	10.5%
Permanent capital ratio	**18.9%**	18.7%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**19.7%**	18.6%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**19.5%**	19.4%	1.5%	N/A	1.5%

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

CERTIFICATION

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

Markel D. Yarbro
Chairperson of the Board
Farm Credit Southeast Missouri, ACA

Michelle M. Beacham
Executive Vice President / Chief Financial Officer
Farm Credit Southeast Missouri, ACA

Gregory M. Cunningham
President / Chief Executive Officer
Farm Credit Southeast Missouri, ACA

August 4, 2022

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Southeast Missouri, ACA
(in thousands)
(Unaudited)

As of:	June 30, 2022	December 31, 2021
ASSETS		
Loans	**$ 853,177**	$ 841,287
Allowance for loan losses	**1,117**	1,265
Net loans	**852,060**	840,022
Investment in AgriBank, FCB	**22,899**	22,899
Investment securities	**16,527**	16,726
Accrued interest receivable	**11,750**	14,659
Other assets	**11,760**	11,806
Total assets	**$ 914,996**	$ 906,112
LIABILITIES		
Note payable to AgriBank, FCB	**$ 716,552**	$ 706,978
Accrued interest payable	**3,014**	2,641
Deferred tax liabilities, net	**154**	23
Patronage distribution payable	**3,000**	8,250
Other liabilities	**2,210**	3,568
Total liabilities	**724,930**	721,460
Contingencies and commitments (Note 4)		
MEMBERS' EQUITY		
Capital stock and participation certificates	**1,692**	1,670
Unallocated surplus	**188,374**	182,982
Total members' equity	**190,066**	184,652
Total liabilities and members' equity	**$ 914,996**	$ 906,112

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

CONSOLIDATED STATEMENTS OF INCOME

Farm Credit Southeast Missouri, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
For the period ended June 30	**2022**	2021	**2022**	2021
Interest income	**$ 8,981**	$ 8,235	**$ 17,368**	$ 16,112
Interest expense	**3,014**	2,393	**5,578**	4,719
Net interest income	**5,967**	5,842	**11,790**	11,393
(Reversal of) provision for credit losses	**(153)**	(1)	**(141)**	103
Net interest income after (reversal of) provision for credit losses	**6,120**	5,843	**11,931**	11,290
Non-interest income				
Patronage income	**1,144**	1,125	**2,140**	2,077
Financially related services income	**17**	11	**116**	66
Fee income	**(41)**	122	**(13)**	310
Other non-interest income	**4**	--	**55**	477
Total non-interest income	**1,124**	1,258	**2,298**	2,930
Non-interest expense				
Salaries and employee benefits	**1,511**	1,446	**2,918**	2,611
Other operating expense	**1,341**	1,130	**2,732**	2,259
Other non-interest expense	**45**	--	**55**	37
Total non-interest expense	**2,897**	2,576	**5,705**	4,907
Income before income taxes	**4,347**	4,525	**8,524**	9,313
Provision for income taxes	**20**	71	**132**	44
Net income	**$ 4,327**	$ 4,454	**$ 8,392**	$ 9,269

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Southeast Missouri, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive (Loss)	Total Members' Equity
Balance at December 31, 2020	$ 1,623	$ 171,076	$ (2)	$ 172,697
Net income	--	9,269	--	9,269
Unallocated surplus designated for patronage distributions	--	(3,000)	--	(3,000)
Capital stock and participation certificates issued	84	--	--	84
Capital stock and participation certificates retired	(69)	--	--	(69)
Balance at June 30, 2021	$ 1,638	$ 177,345	$ (2)	$ 178,981
Balance at December 31, 2021	$ 1,670	$ 182,982	$ --	$ 184,652
Net income	**--**	**8,392**	**--**	**8,392**
Unallocated surplus designated for patronage distributions	**--**	**(3,000)**	**--**	**(3,000)**
Capital stock and participation certificates issued	**72**	**--**	**--**	**72**
Capital stock and participation certificates retired	**(50)**	**--**	**--**	**(50)**
Balance at June 30, 2022	**$ 1,692**	**$ 188,374**	**$ --**	**$ 190,066**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

Recently Issued or Adopted Accounting Pronouncements

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

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

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	**June 30, 2022**		December 31, 2021	
	Amount	%	Amount	%
Real estate mortgage	**$ 516,889**	**60.6%**	$ 509,258	60.5%
Production and intermediate-term	**282,481**	**33.1%**	278,027	33.0%
Agribusiness	**21,243**	**2.5%**	18,698	2.2%
Other	**32,564**	**3.8%**	35,304	4.3%
Total	**$ 853,177**	**100.0%**	$ 841,287	100.0%

The other category is primarily composed of certain assets characterized as mission related investments, as well as rural residential real estate related loans.

Delinquency

Aging Analysis of Loans

(in thousands) **As of June 30, 2022**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$ 252**	**$ --**	**$ 252**	**$ 524,688**	**$ 524,940**	**$ --**
Production and intermediate-term	**201**	**257**	**458**	**285,309**	**285,767**	**--**
Agribusiness	**--**	**--**	**--**	**21,388**	**21,388**	**--**
Other	**2,782**	**--**	**2,782**	**29,945**	**32,727**	**--**
Total	**$ 3,235**	**$ 257**	**$ 3,492**	**$ 861,330**	**$ 864,822**	**$ --**

As of December 31, 2021	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 420	$ --	$ 420	$ 518,311	$ 518,731	$ --
Production and intermediate-term	37	293	330	282,392	282,722	--
Agribusiness	--	--	--	18,789	18,789	--
Other	4,700	1,651	6,351	29,253	35,604	1,651
Total	$ 5,157	$ 1,944	$ 7,101	$ 848,745	$ 855,846	$ 1,651

Note: Accruing loans include accrued interest receivable.

Risk Loans

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

Risk Loan Information

(in thousands) As of:	**June 30, 2022**	December 31, 2021
Volume with specific allowance	**$ 427**	$ 500
Volume without specific allowance	**77**	2,006
Total risk loans	**$ 504**	$ 2,506
Total specific allowance	**$ 406**	$ 379
For the six months ended June 30	**2022**	2021
Income on accrual risk loans	**$ 26**	$ 24
Income on nonaccrual loans	**35**	39
Total income on risk loans	**$ 61**	$ 63
Average risk loans	**$ 1,622**	$ 1,129

Note: Accruing loans include accrued interest receivable.

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

Troubled Debt Restructurings (TDRs)

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

There were no TDRs that occurred during the six months ended June 30, 2022, or 2021. In addition, there were no TDRs that defaulted during the six months ended June 30, 2022, or 2021, in which the modification was within twelve months of the respective reporting period.

There were no TDRs outstanding at June 30, 2022. TDRs outstanding in the real estate mortgage loan category totaled $266 thousand, all of which were in accrual status at December 31, 2021.

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

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) Six months ended June 30		**2022**		2021
Balance at beginning of period	**$**	**1,265**	$	911
(Reversal of) provision for loan losses		**(141)**		73
Loan recoveries		**2**		2
Loan charge-offs		**(9)**		--
Balance at end of period	**$**	**1,117**	$	986

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

Credit Loss Information on Unfunded Commitments

(in thousands) For the six months ended June 30		**2022**		2021
Provision for credit losses	**$**	**--**	$	30
As of:		**June 30, 2022**		December 31, 2021
Accrued credit loss reserve	**$**	**120**	$	120

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $16.5 million at June 30, 2022, and $16.7 million at December 31, 2021. Our investment securities consisted of securities containing pools of loans fully guaranteed by the Small Business Administration. Premiums paid to purchase the investment are not guaranteed and are amortized as a reduction of interest income.

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

Additional Investment Securities Information

(dollars in thousands) As of:		**June 30, 2022**		December 31, 2021
Amortized cost	**$**	**16,527**	$	16,726
Unrealized gains		**104**		144
Unrealized losses		**(119)**		(103)
Fair value	**$**	**16,512**	$	16,767
Weighted average yield		**1.2%**		1.2%

Investment income is recorded in "Interest income" in the Consolidated Statements of Income and totaled $103 thousand and $124 thousand for the six months ended June 30, 2022, and 2021, respectively.

Contractual Maturities of Investment Securities

(in thousands) **As of June 30, 2022**		Amortized Cost
Five to ten years		**2,482**
More than ten years		**14,045**
Total	**$**	**16,527**

NOTE 4: CONTINGENCIES AND COMMITMENTS

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

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

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

NOTE 5: FAIR VALUE MEASUREMENTS

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

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

Non-Recurring Basis

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

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of June 30, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	**$ --**	**$ --**	**$ 22**	**$ 22**

As of December 31, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$ 126	$ 126

Valuation Techniques

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

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through August 4, 2022, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.