YOUR FUTURE GROWS HERE.

2022 ANNUAL REPORT

American AgCredit

Your future grows here

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YOUR FUTURE GROWS HERE.

Success in agriculture takes vision. And a lender who shares yours. A lender who understands what our customers — the industry leaders, innovators, and experts — need to succeed, and commits to help them get there. More than simply meeting our customers' needs, we anticipate their opportunities with services, technologies, and products that add value and growth to our customers' operations — today and in the years to come.

To our Shareholders

PLANNING FOR THE FUTURE is key to running a successful business in agriculture. From choosing the right inputs and commodity mix to laying out plans for long-term growth and succession, a successful producer must make sound decisions to remain in business.

At American AgCredit, we have the same mindset when planning for the road ahead. In 2022, we delivered strong financial results for our customer-owners. We are proud to serve our customers today with the knowledge and insights you value, while also positioning our business to evolve alongside yours.

As a member of the Farm Credit System, it's our privilege to serve our nation's farmers, ranchers, and agribusiness owners every day as we push to be the best lender to agriculture. With that in mind, we want to take a moment to reflect on our results and success stories in 2022.

- We launched a new online banking platform, delivering a faster and more intuitive digital experience.
- We invested in loan decision tools that will increase speed and efficiency.
- We executed strategies that will drive future growth, ensuring that we can serve our mission and continue to pay a competitive cash patronage to our customer-owners.
- We launched Terrain to offer American AgCredit customers insight and analyses from agriculture's leading experts.

While many economists are pointing to a slowdown in global economic growth, American AgCredit has outperformed expectations in 2022 and will return more than $185.7 million to our customer-owners in the form of cash patronage. We're proud to have returned more than $1.2 billion in cash patronage since 2005.

More than ever, we know the importance of supporting the communities in which we serve. In 2022, we're proud to have provided more than $1.4 million to our network of nonprofit partners

We are proud to serve our customers today with the knowledge and insights you value, while also positioning our business to evolve alongside yours.

Gary Harshberger

Curt Hudnutt

GO BEHIND THE SCENES WITH CEO CURT HUDNUTT. SCAN TO SEE MORE.

through our Local Community Impact program, including $350,000 from our employee-directed Holiday Giving program.

What does the future hold for agriculture? The possibilities are endless, but we know our customer-owners will adapt and rise to each challenge. Together, we are building a strong foundation for the future of agriculture.

It's inspiring to learn from our customers who are adapting their businesses to remain competitive and sustainable for years to come. In this report, you will learn about forestry science and sustainability at Sierra Pacific Industries, a push for local agriculture at Villa Rose – Waialua Egg Farm on Oahu, a new generation taking the reins at Triangle H / Hands Enterprises, and an innovative approach to reducing food waste at Spinaca Farms.

As we continue to pursue our purpose of supporting the long-term viability and sustainability of production agriculture as an important component of U.S. food security, we are pleased to be pursuing a merger with Farm Credit of New Mexico. If the merger receives regulatory and shareholder approval, we believe it should benefit the customers and employees of American AgCredit as well as Farm Credit of New Mexico.

American AgCredit is evolving quickly to continue partnering with you for years to come. More than a lender, we're committed to serving the entire agricultural ecosystem, from food and raw materials to the finished products that feed and clothe the world.

We look forward to partnering with you in the new year and beyond. Thank you for trusting us with your business.

Gary Harshberger
Board Chair

Curt Hudnutt
Chief Executive Officer

KEY FINANCIAL DATA

YEAR ENDED DECEMBER 31 (in thousands)	2022	2021	2020	2019	2018
NET INCOME	**$358,689**	$351,018	$247,329	$200,718	$188,221
PATRONAGE DECLARED	**$185,747**	$162,855	$141,970	$115,410	$105,069
PATRONAGE AS % OF NET INCOME	**51.78%**	46.40%	57.40%	57.50%	55.82%
LOAN VOLUME	**$17,431,808**	$15,934,730	$14,170,874	$11,844,790	$10,214,774
RETURN ON AVERAGE ASSETS	**2.05%**	2.25%	1.82%	1.75%	1.68%
SHAREHOLDERS' EQUITY AS % OF TOTAL ASSETS	**15.25%**	15.70%	15.70%	17.59%	19.39%

WATCH CHIEF STRATEGY AND FINANCIAL OFFICER JERRY ROSE EXPLAIN OUR 2022 FINANCIAL RESULTS. SCAN TO SEE MORE.

Jerry Rose

2022 was a very good year for American AgCredit. In a year where we experienced high inflation, rising interest rates, and economic uncertainty, American AgCredit performed well and exceeded expectations.

Loan Volume by State

We maintain a healthy loan portfolio by serving all segments of agriculture. Risks that may be associated with a particular geographic region, such as adverse weather, land pricing or commodity markets, may be offset by stronger performance in our other regions, thereby reducing pressure on the overall portfolio.

(in millions)	2022	2021	2020
CALIFORNIA	$8,944.4	$8,196.7	$7,293.2
KANSAS	$1,923.1	$1,864.3	$1,668.3
COLORADO	$1,650.3	$1,495.9	$1,321.3
NEVADA	$267.0	$262.1	$223.8
HAWAII	$152.3	$117.7	$110.0
OTHER	$4,494.7	$3,998.0	$3,554.3
TOTAL	**$17,431.8**	**$15,934.7**	**$14,170.9**

Commodities Financed

We maintain a diverse loan portfolio to reduce risks associated with a downturn in any single agricultural commodity. By serving a wide range of commodities and operation types, we are able to mitigate risk and ensure that any material stress on the entire portfolio is minimized.

PATRONAGE REPORT

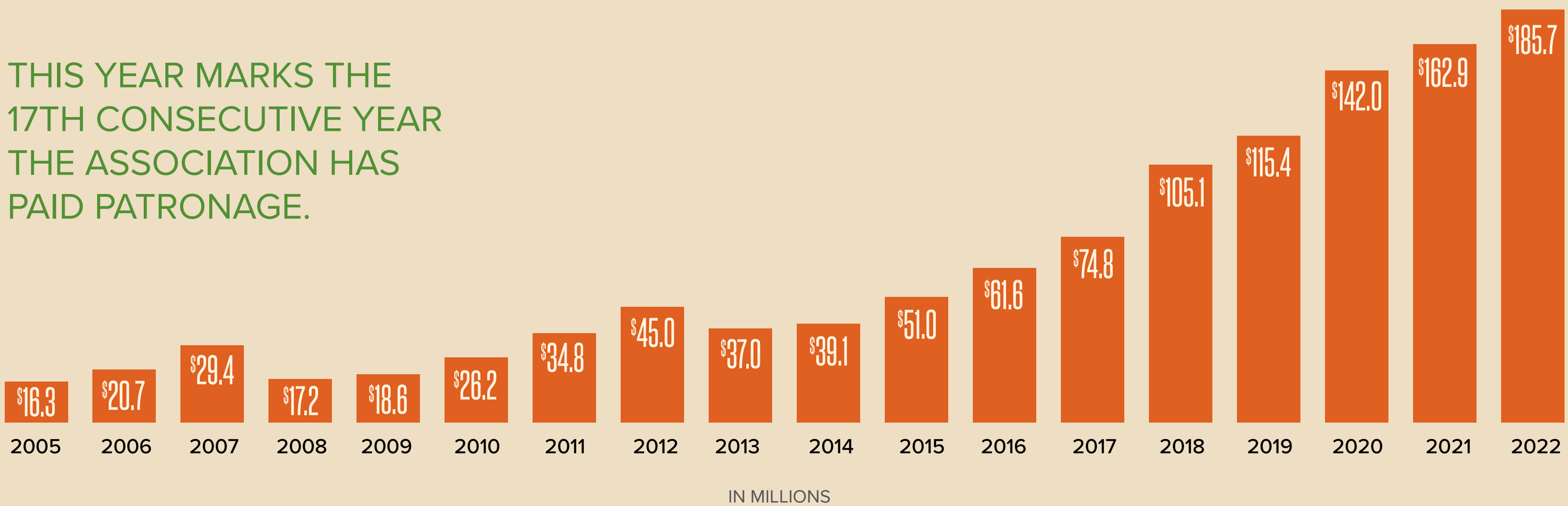
IN 2022, our Board again voted to approve our patronage distribution at a full 1.0%, resulting in nearly $186 million back to you, our loyal customer-owners.

Our efforts to maintain a diversified loan portfolio, balanced across commodities and locations, has helped minimize the impacts of stress on any individual sector. We also continue to improve our business processes and operating efficiency.

As a result of these efforts, we are able to share more profit with our members than ever before.

Again, we did this by finding efficiency gains in the business, not by charging you more. In fact, we lowered the spread between interest rates charged to borrowers and our own cost of funds.

THIS YEAR MARKS THE 17TH CONSECUTIVE YEAR THE ASSOCIATION HAS PAID PATRONAGE.



Sierra Pacific Industries

ANDERSON, CALIFORNIA

Managing Forests for the Future

Archie "Red" Emmerson was a young man working at a saw mill in Arcata, California, when he and his father saw the opportunity to purchase a mill and go into business together.

With a $10,000 loan in 1949, Sierra Pacific Industries was born. To say the business has prospered would be an understatement. Driven by Red's vision and work ethic, Sierra Pacific is now the nation's largest private landowner, managing a vast 2.3 million acres of timberland across California, Oregon, and Washington, and is one of the country's largest lumber manufacturers.

Today, Red is 92 years old and continues to work most days from the company's headquarters in Anderson, California. His son, Mark Emmerson, leads the company as Chief Executive and Chief Financial Officer, representing the third generation of the family business.

"What my father and grandfather started has grown into a multibillion-dollar organization employing 6,000 people," said Mark. "It's a big responsibility owning 2.3 million acres, and we don't take it lightly. We benefit people in the communities around us; we benefit more than 200 species of animals and birds that live on the land; we benefit the environment by sequestering carbon and delivering oxygen."

Managing vast expanses of forest land requires a long-term approach. Each year, Sierra Pacific plants up to six million new trees, including native species like Douglas fir, white fir, hemlock, ponderosa pine, sugar pine, and incense cedar, to help maintain biological diversity. All in all, the company is carbon negative, meaning it sequesters more carbon in its forests than it emits.

"We're more than sustainable," said Mark. "We're growing significantly more timber than we're cutting every year. We will nearly double our inventory in the next 40 years in California."

Managing Forests for Wildfire

As the company works to plant trees and invest in healthy forests, Sierra Pacific is also drawing on the latest scientific research to detect dry conditions and alert work crews to the heightened risk of wildfire. More than 4.3 million acres of California forest land burned in 2020 alone, marking a new record for the state. In January 2022, federal officials unveiled a

WE'RE MORE THAN SUSTAINABLE. WE'RE GROWING SIGNIFICANTLY MORE TIMBER THAN WE'RE CUTTING EVERY YEAR. WE WILL NEARLY DOUBLE OUR INVENTORY IN THE NEXT 40 YEARS IN CALIFORNIA.

— Mark Emmerson
CEO and CFO, Sierra Pacific

plan to reduce fire risk on some 50 million acres of forest land through thinning, pruning, and controlled burns across the western U.S.

Dr. Cajun James is the Research and Monitoring Director for Sierra Pacific Industries, having joined the company in 1999 as a recent Ph.D. with a focus on hydrology and watershed science. She has helped Sierra Pacific launch a network of weather stations and remote sensors, which in recent years have been increasingly focused on detecting fire conditions.

"We get about 30,000 daily data points coming into the office here in Anderson, and from that data we run the National Fire Danger Rating Model – this creates the foundation of our fire policy," said Dr. James. "We send out rankings each day by text, email, and phone to all of our operators, so anyone who's involved with any operation is encompassed under a fire policy."

Sierra Pacific works proactively with Cal Fire and local firefighting agencies to identify high-risk forest areas and to create shaded fuel breaks, thinned and pruned sections of forest that lower the fire potential while preserving the crown canopy. Dr. James said that the company's efforts help protect roads and local communities, especially those in rural areas with limited options for escape when a fire approaches.

"Our weather stations and radio network are the basis of our forest management operational decisions during fire season," said Dr. James. "We do everything we can to cooperate with the firefighting agencies, whether it be state or federal, to provide information so they can focus on fighting the fire."

A Partnership in Agriculture

Mike Balok is Vice President of Lending in the Capital Markets group at American AgCredit, specializing in the forest products and lumber business. He started working with the Emmerson family and Sierra Pacific in 1990 as the company worked to finance a large acquisition.

Over that time, Sierra Pacific has partnered with American AgCredit to structure the right financing options and gain insights from a team with deep expertise in agricultural finance.

GET AN INSIDE LOOK AT SIERRA PACIFIC INDUSTRIES. SCAN TO SEE MORE.

"What started out as a transactional relationship grew over time to a personal relationship where Mark always takes my calls, and the same thing with me," said Mike. "He can call me anytime, anywhere, even to ask a quick question. We have a personal rapport with each other and that leads to instant access."

Now leading the company, Mark Emmerson said that he appreciates working with a lender who understands agriculture and the cyclical nature of the business.

"We have an absolutely wonderful relationship," said Mark. "I have worked with probably 35 banks in my career, and I've never dealt with anybody that understands our business better. That's what I like – a banker who understands our business."

Planning for the Next 100 Years

Most farmers and agribusiness operators plan in cycles ranging from a season to a few years, depending on the commodity they produce. Sierra Pacific takes a much longer view on their operations and investments, steering the company for decades into the future as forests grow to maturity.

"We have a 100-year sustained yield plan that lays out all of our forest management," said Ed Murphy, Information and Ecosystem Services Manager at Sierra Pacific. "We were able to demonstrate, for example, that our total harvest will increase by nearly two and a half times over that 100 years, and that level of harvest will be sustainable and will support the wildlife species and fish that live, breed, and otherwise use the land."

Ed has worked at Sierra Pacific for more than 30 years, now managing a team of biologists, botanists, and inventory foresters. He said that the company operates responsibly to ensure that there are well-paying jobs and a healthy environment for its thousands of employees, their families, and communities.

"Sierra Pacific's resources are the 6,000 employees that work for the company and make those sustainable, high-quality wood products," said Ed. "Our planning is setting up those families and their next generations to be able to continue to do this work. I have two grandchildren and their pictures are on my office wall, and I look at them every day. I know that I'm growing them a future."

Villa Rose — Waialua Egg Farm

OAHU, HAWAII

LET'S GET AGRICULTURE BACK TO BEING A HIGHLIGHT OF HAWAII.

— Don Lawson
CFO, Villa Rose

Hatching a Plan for Sustainable Eggs in Hawaii

It's a warm spring morning on the island of Oahu, and Waialua Egg Farm is already active with the sound of chickens clucking and workers loading trucks with pallets of fresh eggs.

Egg producer Villa Rose launched the brand in late 2021, building a state-of-the-art facility which runs on renewable energy to put fresh eggs in grocery stores across Hawaii. Until now, locally raised eggs have not been easy to come by.

"With eggs in Hawaii, 85% of our consumption has been shipped in from the mainland," said Villa Rose CFO Don Lawson. "We were some of the ones shipping eggs in from the mainland…that was part of why we looked at it and said there's no reason we can't be part of an expansion in Hawaii."

Powering an egg production facility in an area plagued by high energy costs required a bit of ingenuity. Villa Rose looked to the sky for a solution, installing thousands of solar cells and a microgrid that keeps the farm 100% off the power grid, an accomplishment Lawson says makes sense for financial, environmental, and practical reasons.

"The ability to be off the grid accomplishes a couple of things," said Don. "One is the fact that if we were ever going to be off the grid, this was a great place

to do it because [Hawaii] has such a high kilowatt hour cost on their electricity. But we really wanted to also not create any more of a footprint that was negative in any way."

Automation in Egg Farming

Villa Rose's sustainability efforts are not limited to a massive solar array. The Waialua facility boasts the most advanced egg-processing and packaging machine in the world, the first of its kind in the United States.

The machine, which was developed in Europe, automates the process of identifying problem eggs before they make their way into cartons, ensuring only the highest quality eggs reach grocery store shelves.

"The new technology and computer system literally track every egg as it goes through the system," said Don. "[The system] knows where there's an egg that has a crack, leak, stain, or even has a dirt spot on the shell. All of that is noted on the machine, which knows which eggs to reject before they ever get to that point."

The level of automation in Villa Rose's Waialua Egg Farm speeds up the egg sorting and packaging process, while using fewer resources than a traditional and more labor-intensive process. All of that technology and efficiency adds up to one of the world's most sustainable egg production facilities, which offers a shot in the arm for a supply chain that American AgCredit Lending Manager Linus Tavares says is vulnerable to disruption. "In Hawaii, the pandemic really brought food security and food sustainability to the forefront," said Linus. "Planes stopped coming as often with things like canned goods, fresh vegetables, eggs, and milk. We also get a lot of our food by barge, but those take six or seven days to get here. We were getting very concerned about our ability to continue."

As community and political leaders became more aware of the importance of sustainable, local agriculture in Hawaii, the number of COVID-19 related programs and grants for local farmers increased.

HEAR MORE ABOUT FOOD SUSTAINABILITY IN HAWAII. SCAN TO SEE MORE.

Linus said the pandemic has raised awareness about food security in Hawaii, an issue Villa Rose hopes to improve by expanding their egg operations.

Investing in a Sustainable Future

Building and running a large egg operation in Hawaii has been no small feat, and the project encountered several delays as materials and supply chains became strained by the pandemic. Don says working with the team at American AgCredit has been key to launching Waialua Egg Farm and getting locally raised eggs to Hawaii consumers. “There’s a lot of money invested in here, and without the support and without working with quality people at American AgCredit, we wouldn’t have been able to pull this off.” said Don. With truckload after truckload of eggs leaving Waialua Egg Farm every day, and six new barns under construction, Villa Rose is well on its way to offering all Hawaiians a local option for fresh eggs. It’s a sustainable and local movement that Don Lawson says he’d like to see catch on.

“We’re bringing people a quality product that is locally grown. And I’m hoping it can help stimulate more agriculture growth in the state of Hawaii. Let’s get agriculture back to being a highlight of Hawaii.”

Triangle H / Hands Enterprises

GARDEN CITY, KANSAS

A New Generation in Cattle Feeding

In the heart of prime beef country in southwest Kansas, a family-owned cattle feeding operation is paving the way for the next generation in agriculture.

Triangle H/Hands Enterprises is an award-winning cattle feeding and cow-calf operation near Garden City, Kansas, led by managing partners Marisa Kleysteuber and her father, Sam Hands. Marisa is the fifth generation in her family to farm and raise cattle in Kansas.

Marisa and her father take care of the animals, predominantly Angus with some Simmental influence. "I've always enjoyed being outdoors. I enjoy cattle. I enjoy the people who are in the industry," said Marisa. "It feels like everyone is a family. You can't walk into a room and not know them."

Triangle H / Hands Enterprises has carved out a niche working with beef producers to deliver a high-quality product to consumers. The operation uses an index to track the health and quality of the herd, ranking each animal for carcass and feed yard performance as they grow from 400 to 700 pounds to finishing at about 1,500 pounds.

It's no surprise the business is focused on data. Marisa followed in her father's footsteps and obtained a degree in animal science with a business option from Kansas State University. Later, she continued her education with a master's degree in ruminant nutrition, with an emphasis on horse statistics.

"We can help our customer be able to sort out not necessarily the top cattle, but that bottom 5% that they can make improvements quicker in their herd from the data," said Marisa.

From Farm Kid to Returned College Grad

Marisa's love for the operation started as a little girl out on horseback alongside her dad. He told her and her brother stories and would send them out on horseback to check on the cattle, sending them on a mission to look for piggybacks and report back to him.

I'M PROUD THAT I'M BACK HERE AND PART OF AN OPERATION THAT'S BEEN HERE FOR A NUMBER OF YEARS, BUILDING ON WHAT MY DAD HAS ACCOMPLISHED.

— Marisa Kleysteuber
Managing Partner, Triangle H / Hands Enterprises

"I think just early on I always wanted to be back here, and I'm kind of a small town, family-oriented girl anyways," said Marisa.

Agriculture is a competitive and constantly evolving business. By pursuing an education and internships, Marisa picked up experience and new insights that have been a boon for Triangle H / Hands Enterprises.

"As generations have gone off to college and been part of internships or worked with different operations, you pick up some new ideas," said Marisa. "My cousin and I have brought back some technologies that help us utilize tools differently and be a little more efficient."

Forging a Partnership in Agriculture

Triangle H / Hands Enterprises has made investments over the years to strengthen the business. In doing so, Sam and Marisa have built a strong relationship with the team at American AgCredit.

Marisa points to the team's experience in agriculture as a key benefit of working with a Farm Credit lender.

"Working with American AgCredit and them having knowledge of the agriculture industry, it makes you very comfortable to be able to call them up and discuss any business dealings," she said. "They understand our timeline. They understand what we're doing and the work that's going into it."
With a mission to serve agriculture and rural communities, American AgCredit is giving back to rural communities through partnerships with nonprofit organizations and food banks. In 2022, the company donated more than $1.4 million to local nonprofit partners, mostly in rural America.

"You really feel like you're working with the hometown local bank," said Marisa. "With that hometown feel, they truly know this part of the industry. It's nice to see them involved and giving back to the community."

Bringing on a New Generation

Succession planning and raising up a new generation to work on the farm can be a touchy subject in agriculture. Marisa's father took care to

GO BEHIND THE SCENES WITH TRIANGLE H / HANDS ENTERPRISES. SCAN TO SEE MORE.

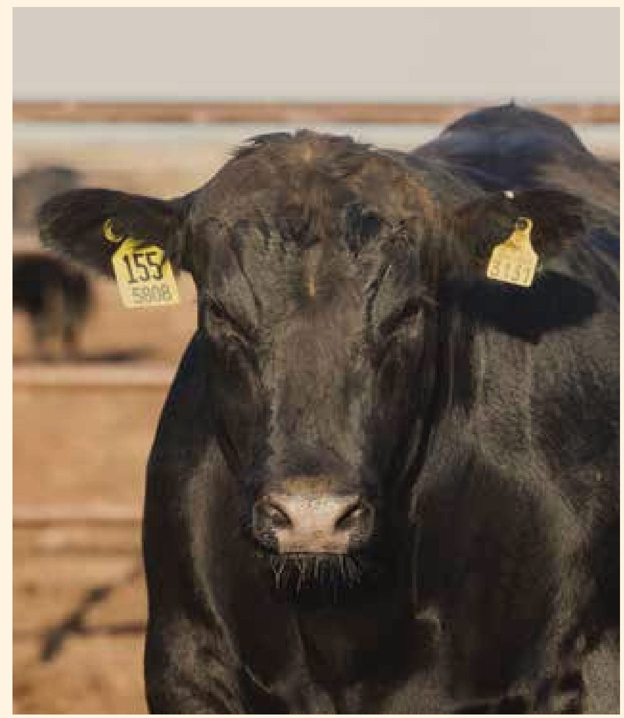
include her in all aspects of the operation, paving the way for her to become a managing partner. Now, he intentionally gives her the space and ownership on the operation to find her purpose in life, where she wants to be, and what makes her happy working there.

“As I transitioned back here, getting to work with the crew and hiring the crew, I feel like I have an awesome team that I’ve put together that—even being a female—they respect me, and I enjoy working alongside them,” reflected Marisa.

As a smaller operation, everyone does it all, according to Marisa. They’re all driving the food truck, washing up, walking animals, processing, working with breeding season, building fence, and hauling water. Every day is a little different, and the weather poses challenges, too. But to Marisa, it’s a fun challenge—one she loves.

Farming can be a dangerous business, and Marisa hopes her father can eventually retire from the day-to-day work while continuing to play a role in the operation.

“I’m proud that I’m back here and part of an operation that’s been here for a number of years, building on what my dad has accomplished with the help of his brothers and his dad,” said Marisa. “It’s humbling to get to be a part of something like this, working with people and helping them have more success so they can be here for years to come.”



Spinaca Farms

MORGAN HILL, CALIFORNIA

Fresh Produce with a Global Vision

California's Santa Clara Valley was once called the "Valley of Heart's Delight," a nod to its abundant fruit orchards, fertile soil and Mediterranean climate. Today, farmers continue to make good use of the valley's growing conditions, even as the region has become better known as Silicon Valley.

Spinaca Farms is a family produce operation based in Morgan Hill, about 20 miles southeast of San Jose. Founded by Rick and Jeannette Andrade in 2001, the business has become a year-round supplier for national produce brands such as Earthbound Farm, Fresh Express, Taylor Farms, and Classic Salads. In 2004, the couple brought on their son Zack, and today he leads the company as its president.

"Growing crops is very satisfying because you have the gratification of starting from scratch and producing something that's going to feed someone else," said Zack Andrade. "When I had the opportunity to join the business after college, I jumped at the chance."

Driving Sustainability with a 'Root-to-Shoot' Model

Growing fresh produce is a delicate and time-sensitive business. Perishable greens must be delivered to stores and then sold to consumers in a matter of days, or even hours. Much of the edible portion of these plants is thrown away before ever reaching a grocery store.

With Zack leading the company, Spinaca Farms has launched a Root-to-Shoot program, which turns traditionally overlooked parts of produce into nutrient-rich powders, purees, and juices.

"The idea is that all edible portions of the plant have a place in our modern food system," said Zack. "We're able to transform something that is not aesthetically pleasing for the fresh market, yet it's still nutritious."

By exploring the wider market for food products, Zack and his team learned that health-conscious consumers were looking for easy ways to add vegetables to their diet. He had an idea that would soon become branded as BoomVeg Fresh Powders.

THE IDEA IS THAT ALL EDIBLE PORTIONS OF THE PLANT HAVE A PLACE IN OUR MODERN FOOD SYSTEM.

— Zack Andrade
President, Spinaca Farms

Today, BoomVeg offers three flagship blends, each with a host of health benefits related to the primary ingredient, from betaine (a B-complex vitamin) in beets to high levels of protein in barley. A prototype test showed that a BoomVeg powder mix was able to deliver 35% of a person's daily recommended value of protein.

Storytelling in the Field

Part of Spinaca Farms' success story has been rooted in transparency and building a direct relationship to consumers. The company has gained followers and customers by engaging with new audiences online, especially on social media.

"With so many platforms out there now, you have the ability as a farmer to get that message across and tell people what you've been doing all along," said Zack. "You can advocate and let people know exactly what you're doing, and that you're using resources like water in a responsible manner."

Kayla Mulch leads sales and marketing for Spinaca Farms' Functional Foods program, leveraging platforms like Instagram and Facebook to share the company's story in photos and videos. Kayla said the opportunity to show kale or spinach growing in the field brings the consumer that much closer to the farm.

"Being able to tell the story directly to our consumers is a great opportunity because [consumers] get to see it from the ground level," said Kayla. "I can go out to the field and take a picture of kale that's actually going to get turned into our powder and put in the BoomVeg boxes that you see on our shelves."

A Bright Future in Farming

More than two decades after his parents founded the business, Zack sees a bright future for Spinaca Farms. The company continues to grow as a fresh produce supplier, while also selling produce and shelf-stable products directly to consumers.
In May 2022, Spinaca Farms and its BoomVeg product line were featured at the Vitafoods Europe

GET A CLOSER LOOK AT THE INNOVATION DRIVING SPINACA FARMS. SCAN TO SEE MORE.

Conference in Geneva, Switzerland, with support from the Western United States Agricultural Trade Association. Through conferences and digital marketing, Kayla has helped generate international demand for the company's ethically sourced and organic powders.

Ryan Scarr, Vice President of Lending at American AgCredit, has worked closely with Zack and the team at Spinaca Farms as the company expands into new product lines.

"There's an energy that comes with a customer like Spinaca Farms and someone like Zack who's so forward-thinking and takes a different approach to agriculture," said Ryan. "Anytime someone is bringing new ideas that are going to positively impact the marketplace and bring the consumer the products they want...you want to help them grow their business in a sustainable way."

With a focus on transparency and using every edible portion of the plants they grow, Spinaca Farms has built a strong foundation and blueprint for the future.

"My motivation is to be better every day," said Zack. "Are we doing everything we can to be good stewards of the land? Are we maximizing the yield without extracting too much from the land, or asking for too much? It's about listening to our customers to learn what they need and then also giving them what they never dreamed possible."

SCAN FOR MORE INFORMATION, OR VISIT AGLOAN.COM/TERRAIN

Navigate the Market Landscape with Terrain

RENOWNED ANALYSTS AND ECONOMISTS WITH A PASSION FOR AGRICULTURE

As 2022 showed, the factors affecting the market landscape for agriculture continue to become more complex. To help you navigate the changing lay of the land, we're excited to offer Terrain to equip you with valuable insights on economic factors, trends, and markets.

Terrain is a complimentary offering for customer-owners of American AgCredit. You're able to preview Terrain insights and outlooks before the rest of the industry. The Terrain team of analysts is also available to meet with you, offering unbridled access to their outlooks.

Terrain analysts and economists have a deep understanding of agriculture and share their knowledge through reports, videos, presentations, and more.

Visit Terrainag.com for more information and scan the code above to receive emails when reports are published.

At American AgCredit we continue to work hard to grow your future — and we're proud to offer Terrain to you.

Terrain™

SCAN FOR MORE INFORMATION, OR VISIT AGLOAN.COM/GO-DIGITAL

New Digital Services at Your Fingertips

DO BUSINESS WITH US ON YOUR SCHEDULE

We know agriculture is changing. The way you do business may be changing, too. In the years to come, we will offer more digital capabilities, allowing you to take action when and where you want so you can focus on your business.

That's why American AgCredit is pleased to announce the launch of mobile check capture, digital delivery, and other great services. Now from virtually anywhere you have access to a smartphone or tablet* you can send in your payment check(s).

Cross your deposits off your to-do list without ever leaving your home or office.

*To use the mobile check capture feature, you must already have Online Banking setup with American AgCredit and download the latest app to your smartphone or tablet.

REPORT OF MANAGEMENT

The Association's consolidated financial statements are prepared by management, which is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. In the opinion of management, the accompanying consolidated financial statements fairly present the financial condition and results of operations of the Association, in conformity with generally accepted accounting principles in the United States of America. Other financial information included in this Annual Report is consistent with that in the financial statements.

To meet its responsibility for reliable financial information, management depends on the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost must be related to the benefits derived. To monitor compliance, the Association's internal auditors perform audits of the accounting records, review accounting systems and internal controls, and recommend improvements as needed. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, independent auditors. Its report is located on page 44. The Association is also examined by the Farm Credit Administration (FCA), regulator of the Farm Credit System.

The Association's Audit Committee of the Board of Directors, which is composed of directors who are not employees, has overall responsibility for the Association's system of internal control over financial reporting. The Audit Committee of the Board of Directors meets periodically with management, FCA, outside consulting firms, internal auditors, and independent external auditors to review the manner in which each of these groups perform their responsibilities and to carry out the Board's oversight role with respect to auditing, internal controls, and financial reporting matters. These internal auditors, independent external auditors, and regulators also have access to the Audit Committee of the Board of Directors and its individual members at any time.

The undersigned certify that they have reviewed the 2022 Annual Report and that it has been prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate, and complete to the best of their knowledge and belief.

MARCH 3, 2023

Gary Harshberger
Board Chair

Curt Hudnutt
Chief Executive Officer

Jerry Rose
Chief Strategy and Financial Officer

AUDIT COMMITTEE REPORT

The Audit Committee (Committee) is composed of five members of the Board of Directors. In 2022, nine Committee meetings were held. The Committee oversees the scope of the Association's internal audit program, the independence of the outside auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's actions with respect to recommendations arising from those auditing activities.

The Committee approved the appointment of PricewaterhouseCoopers LLP (PwC) as the Association's independent auditors for 2022. The Committee's responsibilities are described more fully in the Association's Internal Control Policy and the Audit Committee Charter.

The fees paid for professional services rendered for the Association by its independent auditors, PwC, during 2022 were $497,587 for audit and audit-related services, $37,065 for tax services, and $265,017 for non-audit-related services.

Management is responsible for the Association's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the Association's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and approved the Association's Quarterly Reports and Audited Financial Statements for the year ended December 31, 2022 (Audited Financial Statements), with management. The Committee also reviewed with PwC the matters required to be discussed by the Statements on Auditing Standards. Both PwC and the Association's internal auditors directly provided reports on significant matters to the Committee.

The Committee discussed with PwC its independence from the Association. The Committee also reviewed the non-audit services provided by PwC and concluded these services to be compatible with maintaining the independent auditors' independence. The Committee has discussed with management and PwC such other matters and received such assurances from them as the Committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the Board of Directors include the Audited Financial Statements in the Association's 2022 Annual Report and for filing with the FCA.

MARCH 3, 2023

Thomas G. Stegman
Audit Committee Chair

2022 AUDIT COMMITTEE MEMBERS

Berry Bortz
Randall Doll
Janet Konkel
Thomas G. Stegman
Thomas Teixeira

MANAGEMENT'S 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 the 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 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and 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 December 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 December 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 December 31, 2022.

MARCH 3, 2023

Curt Hudnutt
Chief Executive Officer

Jerry Rose
Chief Strategy and Financial Officer

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(UNAUDITED)

December 31 (in thousands)	**2022**	**2021**	**2020**	**2019**	**2018**
CONSOLIDATED STATEMENTS OF CONDITION DATA					
Loans	$17,431,808	$15,934,730	$14,170,874	$11,844,790	$10,214,774
Less: allowance for loan losses	(49,448)	(37,515)	(33,211)	(25,807)	(21,359)
Net loans	**17,382,360**	**15,897,215**	**14,137,663**	**11,818,983**	**10,193,415**
Investment in and receivable from CoBank	546,167	554,197	533,452	440,264	384,306
Accrued interest receivable	179,489	119,531	114,735	111,419	98,197
Other property owned	4,160	4,160	4,160	4,779	–
Other assets	389,375	393,279	304,130	287,977	252,673
Total assets	**$18,501,551**	**$16,968,382**	**$15,094,140**	**$12,663,422**	**$10,928,591**
Obligations with maturities of one year or less	$8,105,147	$8,052,151	$6,047,560	$5,914,753	$5,331,253
Obligations with maturities greater than one year	7,575,100	6,252,776	6,677,425	4,521,088	3,481,418
Total liabilities	**15,680,247**	**14,304,927**	**12,724,985**	**10,435,841**	**8,812,671**
Preferred stock	300,000	300,000	175,623	127,955	125,766
Common capital stock and participation certificates	10,604	10,495	10,212	9,545	8,791
Unallocated retained surplus	1,850,386	1,694,971	1,520,252	1,420,692	1,336,892
Additional paid-in capital	677,110	677,110	683,656	683,656	656,723
Accumulated other comprehensive loss	(16,796)	(19,121)	(20,588)	(14,267)	(12,252)
Total shareholders' equity	**2,821,304**	**2,663,455**	**2,369,155**	**2,227,581**	**2,115,920**
Total liabilities and shareholders' equity	**$18,501,551**	**$16,968,382**	**$15,094,140**	**$12,663,422**	**$10,928,591**

Year Ended December 31 (in thousands)	**2022**	**2021**	**2020**	**2019**	**2018**
CONSOLIDATED STATEMENTS OF INCOME DATA					
Net interest income	$493,694	$445,534	$368,417	$307,483	$267,660
Provision for credit losses	(12,317)	(6,832)	(9,435)	(5,312)	(2,477)
Patronage distributions from Farm Credit institutions	127,437	112,464	89,299	63,275	66,336
Non-interest expense, net	(250,106)	(200,146)	(200,950)	(164,710)	(143,283)
Provision for income taxes	(19)	(2)	(2)	(18)	(15)
Net income	**$358,689**	**$351,018**	**$247,329**	**$200,718**	**$188,221**

CONSOLIDATED KEY FINANCIAL RATIOS

(UNAUDITED)

Year Ended December 31	2022	2021	2020	2019	2018
Return on average assets	2.05%	2.25%	1.82%	1.75%	1.68%
Return on average shareholders' equity	12.68%	13.65%	10.41%	8.93%	7.86%
Net interest margin	2.98%	3.02%	2.87%	2.85%	2.82%
Net charge-offs as a percentage of average loans	0.00%	0.02%	0.01%	0.01%	0.00%
As of December 31					
Shareholders' common equity as a percentage of total assets	13.63%	13.93%	14.53%	16.58%	18.23%
Shareholders' total equity as a percentage of total assets	15.25%	15.70%	15.70%	17.59%	19.39%
Debt as a ratio to shareholders' equity	5.56:1	5.37:1	5.37:1	4.68:1	4.16:1
Allowance for credit losses as a percentage of loans	0.31%	0.26%	0.27%	0.25%	0.24%
Allowance for loan losses as a percentage of loans	0.28%	0.24%	0.23%	0.22%	0.21%
Common Equity Tier 1 (CET1) capital	10.09%	10.69%	11.55%	13.40%	14.75%
Tier 1 capital	11.58%	12.37%	11.55%	13.40%	14.75%
Total capital	12.81%	13.71%	11.79%	13.60%	14.94%
Tier 1 leverage	13.29%	14.10%	13.16%	15.33%	16.86%
Unallocated retained earnings and URE equivalents (UREE) leverage	11.51%	13.36%	13.94%	15.67%	17.24%
Permanent capital ratio	12.82%	13.69%	12.83%	14.58%	15.99%
Other Information					
Cash patronage distributions declared (in thousands)	$185,747	$162,855	$141,970	$115,410	$105,069
Preferred stock dividends declared (in thousands)	$15,750	$8,189	$1,318	$3,200	$2,657
Loans serviced for others (in millions)	$7,796	$6,299	$5,755	$5,159	$4,162

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(UNAUDITED)

The following discussion summarizes the financial position and results of operations of American AgCredit, ACA and its subsidiaries American AgCredit, FLCA and American AgCredit, PCA (collectively the Association or American AgCredit) as of December 31, 2022, with comparisons to prior years. This discussion includes significant known trends, commitments, events, or uncertainties that have impacted or are reasonably likely to impact our financial condition and results of operations. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of our Board of Directors. This commentary should be read with the accompanying consolidated financial statements and the related notes appearing in this report.

Our annual and quarterly reports to shareholders are available on our website, www.AgLoan.com, or can be obtained free of charge by calling (800) 800-4865. Annual reports are provided to all stockholders within 90 days after year-end and are available on our website within 75 days after year-end; quarterly reports are available on our website within 40 days after each calendar quarter-end.

FORWARD-LOOKING INFORMATION

Certain information included in this discussion constitutes forward-looking statements and information that is based on management's belief, as well as certain assumptions made by and with information currently available to management. These statements are not guarantees of future performance. When used in this discussion, words such as "anticipates," "projects," "expects," "believes," "estimates," "could," "should," and similar expressions are intended to identify forward-looking statements. Although management believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations and projections will prove to be correct. Such forward-looking statements are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks materialize, or should such underlying assumptions prove to be incorrect, actual results may vary materially from those anticipated, projected, or expected. Key factors that may have a direct bearing on operating results include: economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors; weather, disease, and other adverse climate or biological conditions that periodically occur, which impact agricultural productivity and income; the actions taken by the Federal Reserve in implementing monetary policy; changes in United States government support of the agricultural industry and/or the Farm Credit System; the transition from LIBOR to SOFR rate indexes; the continued effect of the COVID-19 pandemic; and Farm Credit Administration (FCA) mandates and rulings.

BUSINESS OVERVIEW

FARM CREDIT SYSTEM STRUCTURE AND MISSION

American AgCredit is one of 63 associations in the Farm Credit System (System), which was created by Congress in 1916 and has served rural communities and agricultural producers for more than 100 years. The System's mission is to maintain and improve the income and well-being of American farmers, ranchers, producers or harvesters of aquatic products, and farm-related businesses through a member-owned cooperative system. This is done by making loans and providing financial services, such as crop insurance. Through its commitment and dedication to agriculture, the System continues to have the largest portfolio of agricultural loans of any lender in the United States. The FCA is the System's independent safety and soundness federal regulator and was established to supervise, examine, and regulate System institutions.

OUR STRUCTURE AND FOCUS

As a cooperative, voting stock of American AgCredit is owned by the members we serve. The Board of Directors ("Board") is comprised of 20 seats, 18 of which are currently filled by 16 stockholder elected directors and two directors appointed by the elected directors. All directors are independent from the perspective that no management or staff serves as Board members. However, as a financial service cooperative, elected directors are required to have a loan relationship with the Association. Among other duties, the Board selects and compensates the Chief Executive Officer, oversees lending operations, establishes the strategic plan, approves the operating budget, and oversees the financial reporting process.

Our territory extends across a diverse agricultural region that includes portions of California, Kansas, Oklahoma, Colorado, and New Mexico, as well as the entire states of Nevada and Hawaii. The Association makes short- and intermediate-term loans for agricultural production or operating purposes and long-term real estate mortgage loans. To meet the diverse needs of its borrowers, the Association is structured along geographical and business industry lines that allow for specialized transactions that are unique to various types of customers. The Association's success is highly dependent on the customer experience it can provide to its borrowers. Business priorities are to serve the needs of all eligible customers, increase loan volume, improve operating efficiencies, build capital, increase profitability, and invest in the people and technological resources that will ensure future success.

As part of the System, the Association obtains funding from CoBank, ACB (CoBank). CoBank is a cooperative of which the Association is a member. CoBank and its affiliated associations and AgVantis, Inc. (AgVantis) are collectively referred to as the District.

The Association, along with our borrowers' investment in our Association, is materially affected by CoBank's financial condition and results of operations. The CoBank quarterly and annual reports are available free of charge on CoBank's website, www.CoBank.com, or may also be obtained at no charge by calling (800) 542-8072 or mailing CoBank at 6340 S. Fiddlers Green Circle, Greenwood Village, CO 80111. Annual reports are available within 75 days after year-end and quarterly reports are available within 40 days after the calendar quarter-end.

ECONOMIC OVERVIEW

The macroeconomic backdrop that supports agriculture remained mixed through year-end 2022. The Russia-Ukraine war roiled energy, fertilizer, and grain commodity markets, while sharply rising interest rates and the end to quantitative easing led to volatile investment and interest rate markets. As measured by the increase in the consumer price index, annualized inflation ended the year at 6.5% and was as high as 9.0% in June. This is the highest rate reached since the early 1980s, although the annualized rate declined throughout the second half of 2022. Inflationary trends were highly pronounced in grocery store prices as the cost of staples generally increased alongside increased commodity and labor costs. Additionally, the national average price of gas reached a high of more than $5.00 a gallon in June, but retreated to close to $3.00 by year-end.

In response to inflationary pressures, the federal funds rate was increased seven times, ending the year at a target range of 4.25% to 4.50%. Notably, the Federal Reserve made four consecutive historically large 0.75% increases. The 30-year fixed rate residential mortgage interest rate according to the Freddie Mac Primary Mortgage Market Survey ended the year at 6.42%, which is the highest since 2007 and more than double the survey's 2021 year-end rate. However, the year-end rate is not as high as the peak of 7.08% reached in October 2022. For a significant portion of the year, the U.S. Treasury yield curve was inverted, meaning some longer duration Treasury securities were yielding lower rates than some of a shorter duration. A yield curve inversion has historically served as a leading indicator of an economic recession. The headline unemployment rate ended at 3.5% for 2022. Although unemployment remains low, there were signs of hiring and wage growth slowdowns at year-end.

Financial markets experienced overall losses during 2022, with the S&P 500 index decreasing by 19%. Notably, bonds, which move inversely to overall interest rates and serve somewhat as a hedge to stock prices, also experienced losses. The U.S. GDP also contracted slightly on an annualized basis through the first half of 2022, but ended the fourth quarter at a seasonally adjusted growth rate of 2.9%. Overall, real GDP increased 2.1% in 2022 (from the 2021 annual level to the 2022 annual level), compared with an increase of 5.9% in 2021. The U.S. dollar reached multi-decade highs around September compared to various other foreign currencies. This strength can weigh on U.S. commodity prices, which are denominated in U.S. dollars and therefore become more expensive to international buyers. By year-end, much of the dollar's increases receded on an expectation of slowing U.S. inflation and rising global interest rates.

The USDA reported that net farm income in 2022 was $160.49 billion, which is the second highest since 1960 on an inflation-adjusted basis. Much of the increase is due to high commodity prices for grains, oilseeds, and animal proteins. However, not all sectors experienced record cash receipts, particularly forest products, which experienced headwinds due to rising interest rates. Tree nuts were also adversely impacted by drought and poor exports.

Drought conditions persisted throughout 2022 in much of the Association's territory, particularly California and Kansas. The lack of rain damaged yields for most crops and prevented many producers from gaining the full benefit of commodity price appreciation. Pasture, range, and forage conditions were poor for the majority of America and forced many producers to supplement with higher cost feeds and hay. National crop insurance indemnity data suggest payouts for the 2022 crop year will far exceed 2021 amounts. Although severe drought increased the possibility of damaging Western wildfires, 2022 logged fewer burned acres compared to both 2020 and 2021.

Agriculture performance in 2023 will depend on a variety of uncertain factors. Although the consumer has so far been willing to pay higher prices for food, declines in real disposable income and savings rates may reverse this trend. Animal proteins, especially beef, may be notably impacted. Continued inflation would create a double impact to farmers and ranchers in the form of continued rising input prices and interest rates. Persistent drought and rising labor and energy prices may also pressure overall profitability. The 2018 Farm Bill will expire in 2023, and a successor farm bill may, depending on its contents, significantly impact crop insurance programs and the long-term prospects of farmers and ranchers in America.

COMMODITY REVIEW AND OUTLOOK

The following highlights the general health of agricultural commodities with the greatest concentrations in the Association's loan portfolio. Loan volume may fluctuate based on the seasonal nature of agriculture, especially with respect to commodities that have a single harvest cycle per year. Major commodities financed by the Association are shown in the table in Note 3 to the consolidated financial statements.

VINEYARDS AND WINERIES

Wine sales in 2022 were approximately 1% above 2021 and 9% above the 2016-2020 average on an inflation-adjusted basis. Strong 2022 sales helped offset rising production costs at wineries, although there is early indication that the volume of wine sold in 2022 will be slightly less than previous years. The difference between inflation-adjusted sales and volume could indicate stronger demand in higher-end wine. In recent years, there was a trade-down in wine quality by the consumer starting with the COVID-19 pandemic as evidenced by higher jug wine sales. Input costs are likely to remain elevated in 2023, particularly for labor, glass, cork, and barrels. Wine grape prices for the 2022 crop were strong due to small harvests in 2020 and 2021. Wine grape production in California's Central Valley is expected to be less profitable than the North Coast due to the high cost of water and weaker production due to drought. Higher interest rates, variability in wine grape production, and longer-term trends in wine consumption have raised concerns over vineyard valuations in Napa and Sonoma counties. However, values for top-end vineyards increased in 2022 compared to year-ago levels, and values for average vineyards remained stable. Premium vineyard values are expected to remain strong in 2023, but the high cost of development and water limitations will likely keep downward pressure on developmental acreage in the coming months. Larger operations may be more willing to pay top dollar for higher quality vineyards to gain control of high-quality grape production. Moreover, potential water restrictions on new developments may also push additional demand to strong vineyards with a history of strong production and contract prices.

FIELD CROPS

Prices for most field crops were strong in 2022. Grain prices experienced an upward price shock due to the Russia-Ukraine war, which disrupted global production and removed inventory from the global grain market. Drought conditions damaged yields in much of the United States and crop insurance payments are now significantly higher. Producers that were unable to harvest and received crop insurance payments are likely to finish the year just above breakeven, but producers with strong yields are likely to have very high profit margins.

The winter wheat crop is facing an uphill battle due to the prolonged drought and the late establishment from scattered rains in early November. High-end yield potential may be limited due to the dry soil conditions, but there is still opportunity for the U.S. to maintain trend-line yields. Wheat prices in 2023 will be sensitive to global production and export disruptions from certain major wheat exporters such as Ukraine, Russia, and Argentina. Cotton prices are expected to remain subdued due to the strong U.S. dollar as up to 70% of the cotton crop is exported. Global soybean demand remains strong, and planting projections indicate a large crop going into the 2023-24 marketing year. The global situation for corn remains dominated by relatively tight feed grain inventories and extremely high energy and fertilizer costs. High energy and fertilizer prices are unlikely to change in early 2023 as winter weather and the Russia-Ukraine war prevent the world from building distillate (diesel and heating oil) or natural gas inventories. However, the net of tight feed supplies and high input prices is still supportive to U.S. corn prices. It is expected that input costs will remain elevated in 2023 and profit margins will be tight for many field crop producers.

TREE FRUITS AND NUTS

There is a general expectation of slower economic growth and demand for tree nuts in 2023. These factors may be somewhat offsetting for the tree nut industry. Slower economic growth and consumer demand for general merchandise may provide a window for supply chains and businesses to catch up on back orders, inventory, raw material orders, etc. This could provide an opportunity for an adjustment in freight costs, ease, and priority that would be favorable to tree nut exports in 2023. For example, the sharp decline in the international shipping spot market may help ease a portion of the supply constraints for almonds and walnuts, which depend heavily on exports.

Profit margins for almonds and walnuts were muted in 2022. Drought conditions in California, along with an early spring frost, significantly damaged yields and at the same time significantly increased the cost of water. However, lower than expected exports throughout the year kept almond and walnut inventories historically elevated. Exports were hampered by the strong U.S. dollar, shipping costs, and reduced truck and rail availability. Almonds were particularly impacted due to large production in 2020 and 2021 and generally high inventory levels. Spot prices for almonds and walnuts declined to multi-year recent lows. While the impact of recent rains and flooding in late 2022 in California are yet to be determined, it is likely that irrigation districts will have a larger distribution in 2023 than 2022. This will effectively lower water costs, but there will also be some physical damage to orchards. An expectation of strong yields in 2023 may hold spot prices low.

Prices and profit margins for pistachios in 2022 were strong. Avocado production in 2022 was slightly below expectations, however, supply constraints in Mexico significantly increased avocado prices in the U.S. input costs, especially water and labor, increased but margins are expected to come in positive. Demand for avocados in the U.S. remains very strong.

DAIRIES

The dairy industry was uneven in 2022, with strong profits early in the year and weaker through year-end. Overall, most dairies are expected to be profitable for 2022, although rising input prices significantly raised breakeven points in the second half of 2022. Dairy production is expected to slightly increase in 2023, but the increase is largely due to lower production in 2022. Most milk prices, including Class III and IV milk, have declined notably since highs reached in June. Overall, the herd is expected to remain stable heading into 2023. Dairy cow values remain strong due to a lack of available quality cows. Dairy demand is expected to face headwinds from weaker U.S. consumer health and exchange rates and as such, dairy prices are expected to average around $20.50 per hundredweight in 2023, which is lower compared to recent historical prices. Input prices, specifically feed and labor, are expected to remain elevated. Efficiency gains, especially in feed-to-milk conversion and labor use, will take priority over adding cows to the herd in an environment of lingering high costs. While dairy exports have been strong in recent years, there may be momentum slowdown from a strong dollar and growth in European Union production.

BEEF

Drought continues as a significant headwind to the beef industry. As a result, 2022 marked the fourth year of overall herd liquidation and the most aggressive since 1984. The 2022 calf crop was 2.1 million head smaller than the cycle peak calf crop that occurred in 2018. The pandemic-created backlog of fed cattle, combined with the drought, forced a slightly unseasonal movement of cattle into feedlots, and has delayed and masked the expected cyclical decline in fed cattle slaughter and beef production for nearly two years. The result was cycle-high slaughter totals and record beef production during 2022. The recent year-over-year declines in monthly feed lot placements are early signals of the rapid decline of cattle supplies and beef production, which will become more apparent during the second half of 2023. Higher prices are expected for all segments of the cattle industry and the beef supply chain in the coming year. Consumer tastes and preferences continue to change in light of the COVID-19 pandemic aftereffects, and increased amounts of prime and ultra-high quality beef products stocked at retail grocery stores, originally in response to closed restaurants two years ago, continues as a strong demand source. Disease in foreign markets, such as foot-and-mouth disease and lumpy skin disease, could impact international markets and provide a tailwind to U.S. beef exports.

FOREST PRODUCTS

The outlook for forest products weakened throughout 2022 primarily due to rising interest rates and an expectation of sluggish economic performance in 2023. As previously noted, the sharp increase in the federal funds rate drove residential mortgage interest rates to the highest levels in more than a decade. The increase in mortgage interest rates has partly, along with high construction material costs, resulted in a decline in housing starts. The decline in housing starts has slowed lumber demand, production, and new orders. Most in the industry expect demand and new orders to level off until mortgage interest rates stabilize. Prices for most construction materials have declined closer to, but still above, the pre-COVID average. For example, framing lumber and stud composites prices have declined sharply from the extreme post-pandemic highs, however, in November, the framing and stud composite prices were 15.8% and 6.6% above the 2018-2019 average, respectively. Likewise, prices for other construction materials have declined from recent highs but remain well above pre-pandemic averages. Prices for medium density fiberboard have remained at historically elevated levels. Prices for fiber, kraft, and pulp products also remain historically elevated, and well above recent averages. Log prices have also slightly declined from record highs but remain well above recent averages. There is an expectation for log prices to move closer to the historical average as the declines in construction material prices outweigh the gains in fiber, kraft, and pulp markets. The U.S. housing supply is still generally thought to be below long-term needs and the expectation is for housing starts to increase in the medium-to-long run. The supply of all materials will be closely monitored as forest product companies will be careful to not overproduce into a slower economic environment.

SERIES A PREFERRED STOCK AND SUBORDINATED DEBT ISSUANCES

In June 2021, the Association issued $300 million of Series A 5.25% fixed-rate reset perpetual non-cumulative preferred stock and $200 million of 3.375% fixed-to-floating rate subordinated debt due 2036. The Series A preferred stock and subordinated debt may be redeemed at the option of the Association no earlier than June 15, 2026, and June 15, 2031, respectively, subject to conditions. S&P Global has currently assigned the Association a “BBB+” long-term issuer credit rating and assigned the preferred stock and subordinated debt ratings of “BB+” and “BBB,” respectively. Further information regarding the subordinated debt and preferred stock may be found in Notes 8 and 9 to the consolidated financial statements, respectively.

FINANCIAL CONDITION

LOAN PORTFOLIO

The Association’s loan portfolio primarily consists of accrual loans and nonaccrual loans on which the accrual of interest has been suspended. Loans were $17.4 billion as of December 31, 2022, compared to $15.9 billion and $14.2 billion for 2021 and 2020, respectively. The 2022 increase of $1.5 billion resulted in a 9.43% year-over-year growth rate and was due to strong organic loan growth. The following table illustrates the major loan categories from December 31, 2020, to December 31, 2022.

December 31	2022		2021		2020	
(in millions)	Loan Principal	Percent of Total	Loan Principal	Percent of Total	Loan Principal	Percent of Total
Real estate mortgage	$9,716.3	55.8%	$8,889.7	55.7%	$7,802.4	55.1%
Production and intermediate-term	3,654.9	21.0	3,514.6	22.1	3,132.1	22.1
Agribusiness	3,474.5	19.9	2,960.8	18.6	2,747.6	19.4
Rural infrastructure	526.1	3.0	526.3	3.3	445.2	3.1
Other	60.0	0.3	43.3	0.3	43.6	0.3
Total loans	**$17,431.8**	**100.0%**	**$15,934.7**	**100.0%**	**$14,170.9**	**100.0%**

Factors affecting the changes in loan categories are discussed as follows.

Real Estate Mortgage Loans: Real estate mortgage loans increased to $9.7 billion at December 31, 2022, compared to $8.9 billion and $7.8 billion at year-end 2021 and 2020, respectively. The 2022 increase of $826.6 million resulted in a 9.30% year-over-year growth rate. Real estate mortgage loans increased by $1.1 billion in 2021.

Production and Intermediate-Term Loans: Production and intermediate-term loans increased to $3.7 billion in 2022, compared to $3.5 billion and $3.1 billion at year-end 2021 and 2020, respectively. The $140.3 million increase resulted in a 3.99% annual growth rate. The portfolio grew by $382.5 million in 2021.

Agribusiness Loans: Agribusiness loans are primarily made to finance the throughput of agricultural goods to the marketplace. These loans consist of long-term mortgages on processing facilities and equipment as well as short- and intermediate-term loans and operating lines of credit. The agribusiness portfolio totaled $3.5 billion at year-end 2022, compared to $3.0 billion for 2021 and $2.7 billion for 2020. This loan portfolio increased by $513.7 million, or 17.35%, during 2022, compared to a $213.2 million increase in 2021.

Rural Infrastructure and Other Loans: These loan portfolios consist of rural infrastructure, agricultural export finance, and loans made for sales contracts and for homes located in rural areas. This portion of the portfolio accounted for less than 4% of the total loan portfolio in each of the years reported.

Small loans (less than $250,000) accounted for 55.13% of the total number of loans and 4.84% of loan volume at December 31, 2022. Credit risk on small loans, in many instances, is reduced by non-farm income sources. Loans greater than $5.0 million account for 3.77% of the total number of loans and 47.12% of the total loan volume.

GEOGRAPHIC CONCENTRATIONS

The Association's territory covers 38 California counties from the Oregon border to the Mexico border, the entire states of Nevada and Hawaii, and parts of central and southwest Kansas, northern Oklahoma, western Colorado, and northwest New Mexico. The geographical distribution of loan volume as of December 31, 2022, 2021, and 2020, is shown in the following table. The Association originates and services loans in areas outside its chartered territory with the concurrence of the Farm Credit associations where those loans are physically located.

December 31	2022		2021		2020	
(in millions)	Loan Principal	Percent of Total	Loan Principal	Percent of Total	Loan Principal	Percent of Total
California	$8,944.4	51.3%	$8,196.7	51.5%	$7,293.2	51.5%
Kansas	1,923.1	11.0	1,864.3	11.7	1,668.3	11.8
Colorado	1,650.3	9.5	1,495.9	9.4	1,321.3	9.3
Nevada	267.0	1.5	262.1	1.6	223.8	1.6
Hawaii	152.3	0.9	117.7	0.7	110.0	0.8
Other	4,494.7	25.8	3,998.0	25.1	3,554.3	25.0
Total	**$17,431.8**	**100.0%**	**$15,934.7**	**100.0%**	**$14,170.9**	**100.0%**

We are a party to multiple territorial concurrence agreements with other associations in various states within the System. The agreements are intended to allow for cooperation within the System and align with fulfilling our mission to farmers and ranchers regardless of where they operate. They eliminate territorial restrictions and allow party associations to make loans in each other's territory without needing to obtain consent each time. These agreements can be terminated by the parties under certain circumstances and also when directed by FCA.

The Association routinely sells portions of large loans to other financial institutions to manage portfolio risk. These institutions are geographically dispersed and come from within the Farm Credit System. In addition, the Association has entered into participation agreements with these institutions in which the Association services the entire loan but retains ownership of only a small portion. Participating in or selling loans allows the Association to manage its lending limits and its internal capital requirements, as well as to diversify credit, commodity, geographic, and other risks. Neither the principal nor any unused commitments related to the participated or sold portion of these loans are included on the Association's Consolidated Statements of Condition. Participation and other multi-lender activity is summarized as follows.

December 31 (in millions)	**2022**	**2021**	**2020**
Loans sold to others	$6,684.7	$5,315.1	$4,743.3
Retained interest in sold loans	$2,493.4	$2,004.8	$1,847.8
Loans purchased from others	$4,114.5	$3,413.4	$3,054.6
Syndications serviced for others	$1,111.5	$984.0	$1,011.9

To further manage portfolio credit risk, the Association participates in a Federal Agricultural Mortgage Corporation (Farmer Mac) guarantee program. Under this program, the Association pays a guarantee fee to Farmer Mac to assume the balance of predesignated loans if they become delinquent. Management considers these fees to be intrinsic credit enhancement costs that affect the yield on the pool of guaranteed loans. The Association paid $567 thousand, $371 thousand, and $314 thousand in guarantee fees during 2022, 2021, and 2020, respectively. These fees are included in interest expense in the Consolidated Statements of Comprehensive Income. Farmer Mac guaranteed loans at December 31, 2022, 2021, and 2020, were $124.8 million, $104.7 million, and $64.6 million, respectively.

HIGH-RISK ASSETS

FCA regulations specify three high-risk loan performance categories: nonaccrual, accruing restructured, and loans 90 days or more past due still accruing interest. These are referred to as impaired loans. Loans outstanding, including accrued interest, for each loan performance category as of December 31 are as follows.

December 31 (in thousands)	**2022**	**2021**	**2020**
Nonaccrual	$172,166	$66,436	$51,541
Accruing restructured	7,999	9,593	10,872
Accruing 90 days or more past due	–	658	509
Total impaired loans	180,165	76,687	62,922
Other property owned	4,160	4,160	4,160
Total high-risk assets	**$184,325**	**$80,847**	**$67,082**
Nonaccrual loans/total loans	0.99%	0.42%	0.36%
Nonaccrual loans current as to principal and interest	$148,034	$52,728	$30,222

Nonaccrual loans represent all loans where there is a reasonable doubt as to collection of principal and/or interest. Nonaccrual loan volume increased $105.7 million in 2022 to $172.2 million at December 31, 2022, from $66.4 million at December 31, 2021. While the Association does not accrue interest on loans classified as nonaccrual, 85.98% of the nonaccrual loan volume at December 31, 2022, was current as to principal and interest compared to 79.37% at December 31, 2021, and 58.64% at year-end 2020.

See the "Credit Risk Management" section on page 40 for further information on the Association's credit quality. Given the cyclical nature of agriculture, management anticipates that factors such as product oversupply, volatile commodity prices, water issues, regulatory demands, changing interest rates, continued effects of COVID-19, and public demand for commodities could adversely impact high-risk volume over time and high-risk asset volume could increase in the future. Supply and demand dynamics, including the threat or existence of trade tariffs, may negatively impact a number of U.S. agricultural segments. The potential for worsening drought conditions throughout our territory could have a negative impact on our borrowers and the credit quality of our loan portfolio. The Association proactively monitors and addresses portfolio risk.

ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses is composed of the allowance for loan losses (ALL) and the reserve for unfunded lending commitments. The allowance for credit losses is our best estimate of the amount of probable losses inherent in our loan portfolio as of the balance sheet date. The allowance for credit losses is determined based on a periodic evaluation of the loan portfolio and unfunded lending commitments, which generally considers types of loans, credit quality, specific industry conditions, general economic conditions, weather-related conditions, and changes in the character, composition, and performance of the portfolio, among other factors. The allowance for credit losses is calculated based on a historical loss model that takes into consideration various risk characteristics of our loan portfolio. We evaluate the reasonableness of this model and determine whether adjustments to the allowance are appropriate to reflect the risk inherent in the portfolio.

We maintain a reserve for unfunded lending commitments that reflects our best estimate of losses inherent in lending commitments made to customers but not yet disbursed. Factors such as the likelihood of disbursements and the likelihood of losses given disbursement are utilized in determining the reserve. This reserve totaled $3.9 million, $4.2 million, and $4.5 million at December 31, 2022, 2021, and 2020, respectively.

The ALL increased $11.9 million to $49.4 million in 2022, from $37.5 million in 2021. The increase was primarily the result of $12.6 million of provision for loan loss, partially offset by $0.7 million of net charge-offs. The additional provision was primarily due to incremental loan growth and some credit quality degradation. Overall, charge-off activity remains low relative to the size of our loan portfolio. Comparative ALL coverage as a percentage of the average daily balance of loans and certain other credit quality indicators as of December 31 is shown in the following table.

December 31	2022	2021	2020
Allowance for loan losses as a percentage of:			
Average loans	0.30%	0.25%	0.23%
Impaired loans	27.45%	48.92%	52.78%

Further discussion of the allowance can be found in Note 3 to the consolidated financial statements.

INVESTMENT IN COBANK

Effective January 1, 2021, CoBank increased the target patronage for association direct note balances to 45 basis points, from 39 basis points previously. In addition, the loan base period used for determining the required stock investment in CoBank for affiliated associations was changed to a five-year trailing average from a one-year average. These changes were effective beginning in 2021 for patronage distributions and stock retirements starting in March 2022. As a result of the new capital plans, CoBank retired $21.2 million of the Association's stock investment in March 2022. Effective January 1, 2022, CoBank reduced its target equity levels based on direct note balances for affiliated associations from 4% to 3% and returned the loan base period back to a one-year average. Management and the Board of Directors of CoBank periodically evaluate its capital plans based on financial performance, capital requirements, asset growth, and other considerations.

The investment in CoBank was $457.6 million at December 31, 2022, a decrease of $17.5 million when compared to year-end 2021. The decrease was due to the retirement of Class A stock in March of $21.2 million, offset by patronage received in the form of stock of $2.7 million and a stock purchase of $1.0 million in December 2022. The investment in CoBank was $475.2 million at December 31, 2021, an increase of $2.8 million compared to year-end 2020. The increase is due to patronage income received in the form of Class A stock.

OTHER ASSETS

Other assets were $281.9 million at December 31, 2022, a decrease of $44.3 million when compared to year-end 2021. Other assets primarily consisted of $118.8 million of patronage receivable from Farm Credit institutions, $103.3 million of retirement plan assets, and $59.8 million of other receivables and assets. The change was primarily due to a decrease of other receivables and assets of $73.7 million, offset by an increase in retirement plan assets of $15.3 million and a $14.1 million increase in patronage receivables. Other assets were $326.2 million at December 31, 2021, an increase of $160.3 million compared to year-end 2020.

OTHER LIABILITIES

Other liabilities were $169.5 million at December 31, 2022, an increase of $35.2 million when compared to year-end 2021. Other liabilities primarily consisted of $68.0 million of retirement plan liabilities, $48.2 million of short- and long-term incentive compensation payables, $26.7 million of Farm Credit System Insurance Corporation (FCSIC) payable, and $26.6 million of other liabilities. The year-over-year change was primarily due to a $7.7 million increase in FCSIC premiums payable caused by increased direct note borrowers combined with higher premiums and increases in net other liabilities of $28.7 million, offset by a $1.1 million decrease in short- and long-term incentive compensation payable and a $0.1 million decrease in retirement plan liabilities. Other liabilities were $134.3 million at December 31, 2021, a decrease of $16.5 million when compared to year-end 2020.

RESULTS OF OPERATIONS

EARNINGS

The Association produced net income of $358.7 million in 2022, compared to $351.0 million in 2021 and $247.3 million in 2020. The $7.7 million increase in net income from 2022 was primarily due to a $48.2 million increase in net interest income primarily caused by elevated loan growth offset by a slight decrease in the net interest margin and a $7.5 million increase in non-interest income attributable to higher patronage income from other Farm Credit institutions offset by an increase in non-interest expense. Non-interest expense increased by $42.4 million, largely driven by an increase in salaries and benefits, purchased services in support of business transformation objectives, FCSIC insurance premiums expense, and technology expenses.

The Association's 2021 net income of $351.0 million was $103.7 million higher than 2020's net income of $247.3 million. The increase was primarily due to a $77.1 million increase in net interest income because of exceptional loan growth and increases in the net interest margin partially attributed to our preferred stock offering, and a $30.1 million increase in non-interest income attributable to higher patronage income from other Farm Credit institutions and loan origination fees recognized. Non-interest expense increased by $6.1 million, largely driven by an increase in salaries and benefits, FCSIC insurance premiums expense, and technology expenses, offset by decreases in other operating expenses.

The major components of change in net income over the past two years are summarized as follows.

(in thousands)	2022 vs. 2021	2021 vs. 2020
Net income, prior year	$351,018	$247,329
Increase in interest income	206,718	29,429
(Increase)/decrease in interest expense	(158,558)	47,688
Increase in net interest income	48,160	77,117
(Increase)/decrease in provision for credit losses	(5,485)	2,603
Increase in non-interest income	7,456	30,087
Increase in non-interest expense	(42,443)	(6,118)
Increase in income tax provision	(17)	–
Increase in net income	**7,671**	**103,689**
Net income, current year	**$358,689**	**$351,018**

NET INTEREST INCOME

The following table provides an analysis of the individual components of the change in net interest income for 2022 and 2021.

(in thousands)	2022 vs. 2021	2021 vs. 2020
Net interest income, prior year	$445,534	$368,417
Increase/(decrease) in net interest income due to changes in:		
Net interest margin	(6,629)	22,095
Volume of average earning assets	55,672	54,820
Margin/volume combination	(883)	202
Increase in net interest income	**48,160**	**77,117**
Net interest income, current year	**$493,694**	**$445,534**

2022 net interest income was $493.7 million, compared to $445.5 million in 2021 and $368.4 million in 2020. The 2022 increase of $48.2 million represents a 10.81% increase over 2021 and was primarily due to strong growth in loan volume offset by a slight decrease in the net interest margin. In light of the sharply rising interest rate environment during 2022, the Association's cost of debt increased by a larger amount than interest earned. Average earning assets grew by $189 billion during 2022, representing an annual growth rate of 12.51%.

Net interest income in 2021 increased 20.93% from $368.4 million in 2020 to $445.5 million. The $77.1 million increase was primarily due to strong growth in loan volume and an increase in the net interest margin, partially attributable to the introduction of the Series A preferred stock into the Association's funding mix. Average earning assets grew by $1.9 billion during 2021, representing an annual growth rate of 14.90%.

	2022	2021	2020
Average rate on earning assets	4.66%	3.85%	4.19%
Average rate on interest-bearing liabilities	1.93%	0.94%	1.53%
Net interest margin	2.98%	3.02%	2.87%

The Association administers its variable-rate loans based on its cost of funds. Adjustments to borrower variable rates have generally followed changes in the prime rate. Management closely monitors interest rate movements and will adjust variable rates to customers to preserve capital for future growth.

The Association has a differential pricing policy for interest rates, which is based on loan size, servicing requirements, and credit risk of a loan. Management's objective is to maintain interest rates that are competitive with other lenders providing similar-type loans.

PROVISION FOR CREDIT LOSSES

Management reviews the allowance for loan losses and the reserve for unfunded lending commitments on a quarterly basis and makes adjustments that reflect the changing risks in the portfolio. Generally speaking, increased loan volume and unfunded commitments will require additional allowance for credit losses. The Association's strong 2022 loan volume growth, slight credit quality degradation, and some borrower-specific conditions on larger loan complexes resulted in a $12.3 million provision for credit losses, compared to a $6.8 million provision for credit losses in 2021. The 2021 provision was largely driven by strong loan growth and slight credit quality degradation. The Association recorded a provision for credit losses in 2020 of $9.4 million.

NON-INTEREST INCOME

Non-interest income consists primarily of patronage from other Farm Credit institutions, loan origination and servicing fees, insurance income, and other gains and losses. Total non-interest income was $154.4 million in 2022, compared to $146.9 million in 2021 and $116.8 million in 2020. The $7.5 million increase in non-interest income during 2022 was primarily due to a $10.1 million increase in CoBank direct note patronage including special patronage declared of 9 basis points, a $3.8 million increase in participated loan patronage income from other Farm Credit institutions caused by higher participations sold balances, offset by a $9.4 million decrease in loan origination and servicing fees. The $30.1 million increase in non-interest income in 2021 was primarily due to an $18.7 million increase in CoBank direct note patronage including special patronage declared of 8 basis points, a $4.5 million increase in participated loan patronage income from other Farm Credit institutions caused by higher participations sold balances, a $2.9 million increase in loan origination fees, and a $2.8 million increase in fee and servicing income.

NON-INTEREST EXPENSES

Non-interest expenses consist of salaries and benefits, occupancy and equipment costs, purchased services, technology, insurance fund premiums, supervisory expenses, and other operating costs. Non-interest expenses were $277.0 million in 2022, compared to $234.6 million in 2021 and $228.5 million in 2020. The $42.4 million increase in non-interest expenses in 2022 was primarily driven by a $14.8 million increase in salaries and benefits due to an increase in employee headcount, a $7.8 million increase in purchased services, a $1.6 million increase in technology expenses, a $7.7 million increase in insurance fund premiums due to an increase in rates from 16 basis points in 2021 to 20 basis points in 2022, and a $10.6 million increase in other operating expenses, mainly due to increased travel and public relations expenditures. The $6.1 million increase in non-interest expenses in 2021 was primarily driven by a $1.0 million increase in salaries and benefits, a $1.9 million increase in technology expenses, a $9.1 million increase in insurance fund premiums, and a $2.0 million increase in other operating expenses, offset by a decrease in purchased services of $8.2 million.

PROVISION FOR INCOME TAXES

The Association's effective tax rate is primarily affected by the mix of taxable and tax-exempt lending activities. Due to the level of tax-exempt lending activities and the Association's patronage program, the provision for income taxes remains an insignificant component of net income.

ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss (AOCL) arises from the recognition of an unfunded nonqualified defined benefit pension plan liability and is a component of total shareholders' equity. The liability and the associated other comprehensive loss will fluctuate from year to year depending on the plan's performance and underlying actuarial assumptions and obligations. The actual loss or income to be realized as pension liabilities paid will not be determinable until the liabilities expire. See Note 12 to the consolidated financial statements for further discussion.

LIQUIDITY AND FUNDING

Liquidity is necessary to meet our financial obligations, such as paying our note with CoBank, funding loans and other commitments, and funding operations in a cost-effective manner. Our liquidity policy is intended to manage short-term cash flow, maximize debt reduction, and liquidate nonearning assets. Our direct loan with CoBank, cash on hand, and borrower loan repayments provide adequate liquidity to fund our ongoing operations and other commitments. As previously noted, the Association issued non-cumulative perpetual preferred stock and subordinated debt in June 2021, which also provided a significant source of funding.

The Association's primary source of funds (excluding capital) and largest liability is its direct loan from CoBank. As further described in Note 7 to the consolidated financial statements, this direct loan is governed by a General Financing Agreement (GFA), is collateralized by a pledge of substantially all the Association's assets, and is subject to regulatory borrowing limits. The GFA includes financial and credit metrics that, if not maintained, can result in increases to our funding costs. The GFA also requires compliance with FCA regulations regarding liquidity. To meet this requirement, the Association closely manages its funding activity and is allocated a share of CoBank's liquid assets for liquidity calculation purposes. The Association is currently in compliance with the GFA and does not foresee any issues with obtaining funding or maintaining liquidity. The Association applies substantially all cash received to the direct loan and draws all cash disbursements from it. The Association's ability to incur debt from other sources is subject to statutory and regulatory restrictions. The GFA matures on May 31, 2023. Management expects renewal of the GFA at that time.

CoBank's primary source of funds is the issuance of Farm Credit System debt securities through the Federal Farm Credit Banks Funding Corporation. The continued liquidity of the Association is therefore directly dependent on the ability of the System to continue to sell debt securities at competitive rates. Historically, this access has provided a dependable source of competitively priced debt that is critical for supporting our mission of providing credit to agriculture and rural America. The Association anticipates continued access to the funding necessary to support its lending and business operations.

The Association primarily utilizes a block-funding methodology for funding. In addition to its blocks of debt, the Association also utilizes a daily revolving line of credit with CoBank for liquidity purposes. The interest rate on the revolving line is periodically adjusted by CoBank based on the terms and conditions of the borrowing.

The Association also has the ability to obtain funding from customer Funds Held accounts, which bear a variable interest rate and are uninsured. From a funding perspective, they provide a cost-effective additional borrowing source compared to our direct loan with CoBank and are offered to customers of the Association as a financial tool for excess operating funds. Restrictions apply to the purpose for which the funds held may be withdrawn and the maximum dollar amount a customer may maintain in Funds Held accounts.

LIBOR's primary regulator, the United Kingdom's Financial Conduct Authority, and the LIBOR administrator, ICE Benchmark Administration, formally announced in July 2017 that all LIBOR tenors will either be discontinued or declared nonrepresentative as of June 30, 2023, with the one-week and two-month U.S. dollar LIBOR tenors discontinued on December 31, 2021. U.S. regulators stated that entering into new LIBOR-referenced contracts after 2021 would present safety and soundness risks. Unless a triggering event occurs requiring conversion to a replacement index, legacy LIBOR loans will continue to be indexed to LIBOR until their first interest reset date after June 30, 2023, pursuant to existing language included in applicable loan documents. This continuance of select tenors, including one-month U.S. dollar LIBOR, would allow for many legacy contracts to mature before LIBOR is fully phased out. After that date, LIBOR indexed loans will transition to an alternative reference rate plus a spread adjustment. The Association ceased to enter into new contracts or renew existing contracts using a LIBOR index as a benchmark interest rate as of January 1, 2022.

The Federal Reserve Bank of New York began publishing the Secured Overnight Financing Rate ("SOFR") as a replacement benchmark rate for U.S. dollar-denominated derivatives and loans in April 2018. SOFR is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities and is completely transaction-based. The Association began offering SOFR based products as of December 2021. The Association continues to work with borrowers to ensure they understand the implications of the index transition and alternative reference rate products and on individual transition plans with customers who have an existing LIBOR based product.

On December 16, 2022, the Federal Reserve Board adopted a final rule implementing the Adjustable Interest Rate (LIBOR) Act of 2021, enacted by Congress and signed into law by President Biden on March 15, 2022. The final rule establishes benchmark replacements for contracts governed by United States (U.S.) law that: 1) reference the overnight and one-, three-, six-, and 12-month tenors of U.S. dollar LIBOR and 2) do not have terms that provide for the use of a clearly defined and practicable replacement benchmark rate following the first London banking day after June 30, 2023. The final rule identifies Secured Overnight Financing Rate (SOFR)-based benchmark replacements for LIBOR contracts that will not mature prior to the LIBOR replacement date of June 30, 2023. The rule also spells out tenor spread adjustments that must be added to LIBOR depending on the specific tenor of the contract.

ASSET/LIABILITY MANAGEMENT

In the normal course of lending activities, the Association is subject to interest rate risk. The asset/liability management objective is monitored and managed within interest rate risk limits designed to target reasonable stability in net interest income over an intermediate planning horizon and to preserve a relatively stable market value of equity over the long term. Mismatches and exposure in interest rate repricing and indices of assets and liabilities can arise from product structures, customer activity, capital reinvestment, and liability management. While the Association actively manages interest rate risk within the policy limits approved by the Association's Board of Directors through the strategies established by the Market Risk Committee (MRC), there is no assurance that these mismatches and exposures will not adversely impact earnings and capital. The overall objective is to develop competitively priced and structured loan products for the customers' benefit and fund these products with an appropriate blend of equity and debt obligations.

The interest rate gap analysis shown in the following table presents a comparison of interest-earning assets and interest-bearing liabilities in defined time segments at December 31, 2022. The analysis shows how the Association is positioned by comparing the amount of assets and liabilities that reprice at various time periods in the future. As the dividend on preferred stock is tied to an interest rate much like a bond's interest payments, is subject to interest rate risk, and is consistent with reporting to the Asset Liability Committee (ALCO), preferred stock is bucketed with liabilities. The interest rate gap analysis is a static indicator that does not reflect future changes in repricing characteristics and may not necessarily indicate the sensitivity of net interest income in a changing interest rate environment. The value of this analysis can be limited given factors such as the differences between interest rate indices on loans and the underlying funding, the relative changes in the levels of interest rates over time, and optionality included in loans and the respective funding that can impact future earnings and market value.

December 31, 2022 (in thousands)	**1 Month or Less**	**Over 1 Month to 6 Months**	**Over 6 Months to 1 Year**	**Over 1 Year to 5 Years**	**Over 5 Years**	**Total**
Interest-earning assets:						
Floating rate loans	$7,749,583	$1,769,925	$–	$–	$–	$9,519,508
Adjustable rate loans	382	5,501	2,585	3,761	–	12,229
Fixed rate loans, prepayable	77,293	199,786	229,956	2,539,194	3,083,461	6,129,690
Fixed rate loans	25,835	67,110	142,161	773,600	589,509	1,598,215
Nonaccrual loans	76,244	47,311	2,333	46,278	–	172,166
Total interest-earning assets	**$7,929,337**	**$2,089,633**	**$377,035**	**$3,362,833**	**$3,672,970**	**$17,431,808**
Interest-bearing liabilities:						
Floating rate debt	$5,614,057	$–	$–	$–	$–	$5,614,057
Discount notes	540,006	2,403,281	169,895	–	–	3,113,182
Fixed rate debt, callable	–	19,660	104,491	568,150	1,238,950	1,931,251
Fixed rate debt	79,917	377,613	399,610	1,863,250	1,390,120	4,110,510
Funds Held	296,137	–	–	–	–	296,137
Subordinated debt	–	–	–	–	197,757	197,757
Preferred stock	–	–	–	300,000	–	300,000
Total interest-bearing liabilities and preferred stock	**$6,530,117**	**$2,800,554**	**$673,996**	**$2,731,400**	**$2,826,827**	**$15,562,894**
Interest-rate-sensitivity gap	**$1,399,220**	**$(710,921)**	**$(296,961)**	**$631,433**	**$846,143**	**$1,868,914**
Cumulative gap	**$1,399,220**	**$688,299**	**$391,338**	**$1,022,771**	**$1,868,914**	
Cumulative gap/total interest-earning assets	8.03%	3.95%	2.24%	5.87%	10.72%	

The Association's repricing gap as of December 31, 2022, can be characterized as asset-sensitive over a one-year period. An asset-sensitive position indicates that the Association has more interest-rate-sensitive assets than interest-rate-sensitive liabilities for particular time periods into the future. Given some of the inherent weaknesses with interest rate gap analysis, simulation models are used to develop additional interest-rate-sensitivity measures and estimates. The assumptions used to produce anticipated results are periodically reviewed and models are tested to help ensure reasonable performance. Various simulations are produced for net interest income and market value of equity. These simulations help to assess interest rate risk and make adjustments as needed to the products and related funding strategies.

The Association's Asset/Liability Management Board policy establishes limits for changes in net interest income and market value of equity sensitivities. These limits are measured and reviewed by ALCO monthly and reported to the MRC and Board at least quarterly. The Board policy limit for net interest income is a negative 10.0% change, and the market value of equity policy limit is a negative 15.0% change, given parallel and instantaneous shocks of interest rates up and down 200 basis points. In instances when the rate on the three-month U.S. Treasury bill is less than 4.0%, FCA guidelines provide that the Regulatory Down Policy shock measure should be used in lieu of the down 200 basis point measure, with that measure equal to one-half of the three-month U.S. Treasury bill rate. The rate on the three-month U.S. Treasury bill was greater than 4.0% as of December 31, 2022, therefore, a shock of down 200 basis points was used. The GFA also uses these simulation results to assess the interest rate risk position and whether corrective action is necessary. The following table shows the percentage impacts to net interest income and market value of equity using parallel and instantaneous interest rate increases of 100 basis points and 200 basis points. In all scenarios, the underlying assumptions and strategies are held constant so that results are comparable from scenario to scenario. However, actual results would differ to the extent changes in strategy were undertaken to mitigate the unfavorable impact of interest rate changes. As of December 31, 2022, all interest rate risk-related measures were within the Board policy limits, GFA requirements, and management guidelines.

December 31, 2022	-2% Shock	-1% Shock	+1% Shock	+2% Shock
Change in net interest income	(3.01)%	(1.46)%	2.06%	4.16%
Change in market value of equity	7.58%	4.24%	(4.57)%	(9.09)%

CREDIT RISK MANAGEMENT

The Association utilizes a portfolio risk management process to evaluate and monitor the risk associated with major commodity groups, credit classifications, unsecured loans, and purchased loans. This process employs the use of shock analysis to determine the impact of significant credit deterioration in any one group on the portfolio as a whole. Credit classification trends are identified and monitored as an early warning sign of potential nonperforming assets. The Association employs management personnel to perform the risk management process that the Board of Directors oversees. In addition, the Association conducts internal credit reviews to evaluate the effectiveness of these processes.

Credit risk arises from the potential failure of a borrower to meet repayment obligations that result in a financial loss to the lender. Credit risk exists in the Association's loan portfolio (including letters of credit and unfunded loan commitments) and is actively managed on an individual and portfolio basis through the application of sound lending and underwriting standards, policies, and procedures. Underwriting standards are developed and utilized to determine an applicant's operational, financial, and management resources available for repaying debt within the terms of the note or loan agreement. Underwriting standards include, among other things, an evaluation of the following:

- **Character:** borrower integrity and credit history;
- **Capacity:** repayment capacity of the borrower based on cash flows from operations or other sources of income;
- **Collateral:** protection of the lender in the event of default and a secondary source of loan repayment;
- **Capital:** ability of the operation to survive unanticipated risks; and,
- **Conditions:** intended use of the loan funds, terms, restrictions, etc.

Processes for information gathering, balance sheet and income statement verification, loan analysis, credit approvals, disbursements of proceeds, and subsequent loan servicing actions are established and followed. Underwriting standards vary by industry and are updated periodically to reflect market and industry conditions.

By regulation, the Association cannot have loan commitments to one borrower totaling more than 15.0% of regulatory capital. The Association has set lending limits to manage loan concentrations. These limits are established for individual loan size, commodity, special lending programs, and geographic concentrations. The Association has established internal lending delegations to properly control the loan approval process. Delegations to staff are based on the Association's risk-bearing ability, loan size, complexity, type, and risk, as well as the expertise of the credit staff member. Larger and more complex loans are typically approved by a loan committee with the most experienced and knowledgeable credit staff serving as members.

One method for managing concentration is through the use of participation programs with other System and non-System institutions. Buying and selling loan volume can help reduce concentrations and manage growth and capital positions while allowing for a sharing of credit risk. Concentrations and credit risk are also managed through the utilization of government guarantee programs and Farmer Mac guarantee programs. The Association has further diversified concentrations in agricultural production by developing rural residential, part-time farmer, and agribusiness portfolios. Rural residents and part-time farmers often derive a significant portion of earnings from nonagricultural sources, thus helping diversify repayment risk to sources other than agricultural production income.

The majority of Association lending is first-mortgage real estate lending. Production and intermediate-term lending accounts for most of the remaining volume and is typically secured by either real or personal property. Collateral evaluations are made within FCA and Uniform Standards of Professional Appraisal Practices requirements. All property is appraised at market value. Certain appraisals must be performed by individuals with a state certification or license.

The Association utilizes a Combined System Risk Model (Model) in its loan and portfolio management processes. The Model is a two-dimensional risk rating system that estimates each loan's probability of default and loss given default. The Model uses objective and subjective criteria to identify inherent strengths, weaknesses, and risks in each loan. The Model estimates loan losses with levels of risk granularity, particularly related to acceptable loans. The Model's 14-point scale provides for nine acceptable categories, one other assets especially mentioned (OAEM) category, two substandard categories, one doubtful category, and one loss category. This Model also serves as the basis for future economic capital modeling.

The following table presents selected statistics related to the credit quality of loans including accrued interest at December 31.

December 31	2022	2021	2020
Acceptable and OAEM	97.1%	97.8%	98.5%
Substandard	2.9%	2.2%	1.5%
Total	**100.0%**	**100.0%**	**100.0%**

The Association's credit quality remained strong throughout 2022. Acceptable and OAEM as a percentage of total loans was 97.15%, a slight decrease from 97.79% during 2021. Credit quality was generally impacted by global economic conditions, rising interest rates, and other challenges facing agriculture. The Association's Acceptable and OAEM credit quality was 98.46% in 2020. The credit quality of the Association's loan portfolio remains strong due to our geographical and commodity diversification and our continued emphasis on sound underwriting standards. Agriculture remains a cyclical business that is heavily influenced by production, operating costs, commodity prices, and global economic conditions. Each of these can be significantly impacted by uncontrollable events. Credit quality is expected to face continued pressure in 2023 due to commodity price volatility, trade negotiations, input and other price inflation, the uncertain interest rate environment, and other potentially adverse global conditions. In addition, drought conditions will impact water availability where present in our lending territory.

CREDIT COMMITMENTS

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. The following table summarizes the maturity distribution of unfunded credit commitments on loans at December 31, 2022.

(in thousands)	Due 1 Year or Less	Due After 1 Year Through 3 Years	Due After 4 Years Through 5 Years	Due After 5 Years	Total
Commitments to extend credit	$1,205,458	$1,440,574	$1,295,985	$1,164,485	$5,106,502
Standby letters of credit	49,055	4,012	6,626	2,042	61,735
Total commitments	**$1,254,513**	**$1,444,586**	**$1,302,611**	**$1,166,527**	**$5,168,237**

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their contractual amounts are not reflected on the Consolidated Statements of Condition until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and the Association applies the same credit policies to these commitments. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

CAPITAL RESOURCES

Capital supports asset growth and provides protection for unexpected credit and operating losses. Capital is also needed for investments in new products and services. We believe a sound capital position is critical to our long-term financial success and our ability to serve our mission. Over the past several years, we have been able to build capital primarily through net income retained after patronage, supplemented with institutional capital through Series A preferred stock and subordinated debt issuances. Shareholders' equity at December 31, 2022, totaled $2.8 billion, compared with $2.7 billion at December 31, 2021, and $2.4 billion at December 31, 2020. The $157.8 million increase in 2022 was primarily due to net income of $358.7 million offset by $185.7 million of cash patronage distributions declared to our customers. Our capital position is reflected in the following ratio comparisons.

December 31	2022	2021	2020
Total capital (in millions)	$2,821.3	$2,663.5	$2,369.2
Debt to capital	5.56:1	5.37:1	5.37:1
Capital to net loans	16.23%	16.75%	16.76%
Capital to total assets	15.25%	15.70%	15.70%
Capital to total liabilities	17.99%	18.62%	18.62%

As a prudent business practice, the Association has established a capital adequacy plan that outlines objectives related to maintaining a stable, secure capital base. Permanent capital, as defined by FCA regulations, is generated from two sources: retained earnings and at-risk stock. Retained earnings (including additional paid in capital) represented 89.59%, 89.06%, and 93.03% of total capital at December 31, 2022, 2021, and 2020, respectively. For a description of classes of stock and regulatory capital requirements, as well as a description of the Association's Capital Adequacy Plan, please see Note 9 to the consolidated financial statements. The Board and management consider current capital ratios to be adequate in view of anticipated loan growth, operating performance, and identified risks.

Association bylaws require each borrower to invest in the capital stock of the Association. The Association may require additional capital contributions in accordance with federal regulations. Equities purchased by borrowers, institutional capital issued, and surplus accumulated from earnings provide the capital resources used in the Association's operations.

The Board of Directors has adopted an Obligating Resolution to distribute 2023 patronage-sourced earnings to patrons of the Association, contingent upon the Association achieving certain capital criteria.

CAPITAL PLAN AND REGULATORY REQUIREMENTS

Our Board of Directors establishes a formal capital adequacy plan that addresses capital goals in relation to risks. The capital adequacy plan assesses the capital level necessary for financial viability and to provide for growth. The plan is updated annually and approved by our Board of Directors. FCA regulations require the plan to consider the following factors in determining optimal capital levels, including:

- Regulatory capital requirements;
- Asset quality;
- Needs of our customer base; and
- Other risk-oriented activities, such as funding and interest rate risks, contingent and off-balance-sheet liabilities, and other conditions warranting additional capital.

As shown in the following table, our capital and leverage ratios exceeded regulatory minimums. If these capital standards are not met, the FCA can impose restrictions, including limiting our ability to pay cash patronage distributions, retire equities, pay preferred stock dividends, and pay discretionary senior executive incentive compensation.

	Minimum Requirement With Buffer	As of December 31, 2022	As of December 31, 2021	As of December 31, 2020
Common Equity Tier 1 ratio	7.00%	10.09%	10.69%	11.55%
Tier 1 capital ratio	8.50%	11.58%	12.37%	11.55%
Total capital ratio	10.50%	12.81%	13.71%	11.79%
Tier 1 leverage ratio	5.00%	13.29%	14.10%	13.16%
URE and UREE leverage ratio	1.50%	11.51%	13.36%	13.94%
Permanent capital ratio	7.00%	12.82%	13.69%	12.83%

The slight decreases in the capital ratios that occurred in 2022 primarily reflect the Association's increasing assets from loan growth. The increases in the capital ratios that occurred in 2021 are due to the issuances of the aforementioned Series A preferred stock and subordinated debt. Both issuances are a component of capital for total capital and permanent capital ratio purposes. Additionally, the Series A preferred stock is a component of capital for Tier 1 and Tier 1 leverage ratio purposes.

On April 14, 2022, the FCA issued a final rule to address changes to its capital regulations and certain other regulations in response to the current expected credit losses (CECL) accounting standard. The regulation reflects the CECL methodology, which revises the accounting for credit losses in accordance with accounting principles generally accepted in the United States of America (GAAP), as well as conforming amendments to other regulations to accurately reference credit losses. Specifically, the regulation identifies which credit loss allowances under CECL are eligible for inclusion in a System institution's regulatory capital. Credit loss allowances related to loans and net investments in leases would be included in a System institution's tier 2 capital up to 1.25% of the System institution's total risk-weighted assets. In addition, 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. The final rule became effective January 1, 2023. We do not believe the regulation will have a material impact on our regulatory capital.

REGULATORY MATTERS

As of December 31, 2022, no enforcement actions were in effect and FCA took no enforcement actions on the Association during the year.

MERGER ACTIVITY

On October 26, 2022, the boards of directors of American AgCredit, ACA and Farm Credit of New Mexico, ACA approved an agreement and plan of merger under which Farm Credit of New Mexico would merge with and into American AgCredit (the "Merger"). If the FCA grants preliminary approval of the Merger, the Associations will each hold a special meeting of stockholders in order to obtain stockholder approval of the Merger. Assuming stockholder and final FCA approvals are timely received, we anticipate the Merger taking effect on July 1, 2023.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of American AgCredit, ACA

OPINION

We have audited the accompanying consolidated financial statements of American AgCredit, ACA and its subsidiaries (the "Association"), which comprise the consolidated statements of condition as of December 31, 2022, 2021, and 2020, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2022, 2021, and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

OTHER INFORMATION

Management is responsible for the other information included in the annual report. The other information comprises the information included in the 2022 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

CHARLOTTE, NORTH CAROLINA

MARCH 3, 2023

CONSOLIDATED
STATEMENTS OF CONDITION

December 31 (in thousands)	**2022**	**2021**	**2020**
ASSETS			
Loans	$17,431,808	$15,934,730	$14,170,874
Less: allowance for loan losses	(49,448)	(37,515)	(33,211)
Net loans	**17,382,360**	**15,897,215**	**14,137,663**
Cash	58,269	7,946	61,128
Accrued interest receivable	179,489	119,531	114,735
Investment in CoBank	457,636	475,173	472,402
Investment in AgDirect	26,521	23,090	17,306
Premises and equipment, net	111,254	115,113	120,859
Other property owned	4,160	4,160	4,160
Other assets	281,862	326,154	165,887
Total assets	**$18,501,551**	**$16,968,382**	**$15,094,140**
LIABILITIES			
Notes payable to CoBank	$14,769,000	$13,571,210	$12,258,563
Subordinated debt	197,757	197,591	–
Funds Held accounts	296,137	211,925	146,415
Accrued interest payable	58,201	22,844	22,778
Cash patronage and preferred stock dividends payable	185,747	162,855	141,971
Reserve for unfunded commitments	3,900	4,192	4,482
Other liabilities	169,505	134,310	150,776
Total liabilities	**15,680,247**	**14,304,927**	**12,724,985**
Commitments and contingencies (Note 15)			
SHAREHOLDERS' EQUITY			
Preferred stock	300,000	300,000	175,623
Common stock and participation certificates	10,604	10,495	10,212
Additional paid-in capital	677,110	677,110	683,656
Unallocated retained surplus	1,850,386	1,694,971	1,520,252
Accumulated other comprehensive loss	(16,796)	(19,121)	(20,588)
Total shareholders' equity	**2,821,304**	**2,663,455**	**2,369,155**
Total liabilities and shareholders' equity	**$18,501,551**	**$16,968,382**	**$15,094,140**

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

CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME

For the Year Ended December 31 (in thousands)	2022	2021	2020
INTEREST INCOME			
Loans	$773,141	$566,423	$536,994
Total interest income	**773,141**	**566,423**	**536,994**
INTEREST EXPENSE			
Notes payable to CoBank	267,388	115,261	167,335
Subordinated debt	6,916	3,833	–
Funds Held and other interest	5,143	1,795	1,242
Total interest expense	**279,447**	**120,889**	**168,577**
Net interest income	**493,694**	**445,534**	**368,417**
Provision for credit losses	(12,317)	(6,832)	(9,435)
Net interest income after provision for credit losses	**481,377**	**438,702**	**358,982**
NON-INTEREST INCOME			
Patronage income from CoBank	90,009	79,023	61,050
Patronage income from other Farm Credit institutions	34,317	31,301	26,324
Patronage income from AgDirect	3,111	2,140	1,925
Loan origination fees	8,824	18,184	15,265
Servicing fees and late charges	3,958	4,002	4,074
Financially-related services	7,946	6,959	6,444
Other gains/(losses), net	734	601	(3,298)
Miscellaneous	5,477	4,710	5,049
Total non-interest income	**154,376**	**146,920**	**116,833**

For the Year Ended December 31 (in thousands)	2022	2021	2020
NON-INTEREST EXPENSES			
Salaries and employee benefits	159,200	144,442	143,491
Occupancy and equipment expense	11,624	11,515	11,332
Insurance fund premiums	26,751	19,058	9,944
Supervisory and examination expense	3,118	3,151	2,935
Purchased services	23,042	15,289	23,530
Technology	23,488	21,938	20,062
Other operating expenses	29,822	19,209	17,190
Total non-interest expenses	**277,045**	**234,602**	**228,484**
Net income before income taxes	**358,708**	**351,020**	**247,331**
Provision for income taxes	(19)	(2)	(2)
Net income	**$358,689**	**$351,018**	**$247,329**
COMPREHENSIVE INCOME			
Actuarial gain/(loss) in retirement obligation	2,325	1,467	(6,321)
Total comprehensive income	**$361,014**	**$352,485**	**$241,008**

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

CONSOLIDATED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands)	Common Stock and Participation Certificates	Preferred Stock	Additional Paid-in Capital	Unallocated Retained Surplus	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
BALANCE AT DECEMBER 31, 2019	**$9,545**	**$127,955**	**$683,656**	**$1,420,692**	**$(14,267)**	**$2,227,581**
Comprehensive income				247,329	(6,321)	241,008
Stock/participation certificates issued	1,374	221,700				223,074
Stock/participation certificates retired	(707)	(175,353)				(176,060)
Preferred stock dividends		1,321		(1,318)		3
Patronage distribution declared				(141,970)		(141,970)
Adjustment to prior-period patronage accrual				(4,479)		(4,479)
Other				(2)		(2)
BALANCE AT DECEMBER 31, 2020	**$10,212**	**$175,623**	**$683,656**	**$1,520,252**	**$(20,588)**	**$2,369,155**
Comprehensive income				351,018	1,467	352,485
Series A preferred stock issued		300,000				300,000
Stock/participation certificates issued	1,328	49,681				51,009
Stock/participation certificates retired	(1,045)	(225,575)				(226,620)
Preferred stock dividends		271		(8,189)		(7,918)
Patronage distribution declared				(162,855)		(162,855)
Adjustment to prior-period patronage accrual				(5,255)		(5,255)
Preferred stock issuance costs			(6,546)			(6,546)
BALANCE AT DECEMBER 31, 2021	**$10,495**	**$300,000**	**$677,110**	**$1,694,971**	**$(19,121)**	**$2,663,455**
Comprehensive income				358,689	2,325	361,014
Series A preferred stock issued						
Stock/participation certificates issued	995					995
Stock/participation certificates retired	(886)					(886)
Preferred stock dividends				(15,750)		(15,750)
Patronage distribution declared				(185,747)		(185,747)
Adjustment to prior-period patronage accrual				(1,777)		(1,777)
BALANCE AT DECEMBER 31, 2022	**$10,604**	**$300,000**	**$677,110**	**$1,850,386**	**$(16,796)**	**$2,821,304**

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

CONSOLIDATED **STATEMENTS OF CASH FLOWS**

For the Year Ended December 31 (in thousands)	**2022**	**2021**	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$358,689	$351,018	$247,329
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	12,317	6,832	9,435
Depreciation and amortization	6,989	7,448	6,851
Loss on early extinguishment of debt	–	–	3,298
Other property owned carrying value adjustments	–	–	619
Other gains, net	–	–	(432)
Gain on sale of other assets	(734)	(601)	(187)
Stock patronage from CoBank	(2,688)	(2,771)	(2,484)
Change in operating assets and liabilities:			
Increase in accrued interest receivable	(59,958)	(4,796)	(3,316)
Increase in other assets	(29,808)	(43,933)	(27,727)
Increase/(decrease) in accrued interest payable	35,357	66	(5,684)
Increase/(decrease) in other liabilities	35,219	(15,061)	29,076
Net cash provided by operating activities	**$355,383**	**$298,202**	**$256,778**
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in loans, net	$(1,422,996)	$(1,885,843)	$(2,331,934)
Recovery of loans charged-off	2,205	4,634	1,922
Acquisition of premises and equipment, net	–	(650)	(482)
Proceeds from sale of premises and equipment	1,319	673	791
Purchase of CoBank stock, net	(969)	–	(76,959)
Retirement of CoBank stock	21,194	–	–
Contributions to AgDirect, LLP	(3,431)	(5,784)	(3,201)
Contribution to mission-related investments	(3,079)	(2,040)	(2,089)
Net cash used in investing activities	**$(1,405,757)**	**$(1,889,010)**	**$(2,411,952)**

CONSOLIDATED **STATEMENTS OF CASH FLOWS**

For the Year Ended December 31 (in thousands)	**2022**	**2021**	**2020**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net draws on note payable to CoBank	$1,197,790	$1,312,647	$2,180,567
Increase in Funds Held accounts	84,212	65,510	49,204
Payments on lease liabilities	(1,031)	(737)	(599)
Cash patronage distributions paid	(164,633)	(147,226)	(119,890)
Issuance of common stock and participation certificates	995	1,328	1,374
Retirement of common stock and participation certificates	(886)	(1,045)	(707)
Proceeds from issuance of subordinated notes payable	–	197,508	–
Proceeds from issuance of Series A preferred stock	–	293,454	–
Dividends paid on Series A preferred stock	(15,750)	(7,919)	–
Issuance of preferred stock	–	49,681	221,700
Retirement of preferred stock	–	(225,575)	(175,353)
Net cash provided by financing activities	**$1,100,697**	**$1,537,626**	**$2,156,296**
Net increase/(decrease) in cash	$50,323	$(53,182)	$1,122
Cash at beginning of year	7,946	61,128	60,006
Cash at end of year	**$58,269**	**$7,946**	**$61,128**
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for interest	$243,924	$120,823	$174,262
Cash for income taxes	$19	$2	$2

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

For the Year Ended December 31 (in thousands)	**2022**	**2021**	**2020**
Cash patronage and preferred stock dividends currently payable	$185,747	$162,855	$141,971
Loan charge-offs	$2,881	$7,452	$3,215
Cash patronage accrual adjustment to prior year	$(1,777)	$(5,255)	$(4,479)
Preferred stock dividends paid	$–	$271	$1,321
Preferred stock dividends declared	$–	$270	$1,318
Right-of-use assets exchanged for lease liabilities	$3,333	$799	$664

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except as noted)

NOTE 1 – ORGANIZATION AND OPERATIONS

A. ORGANIZATION: American AgCredit, ACA, including its subsidiaries, American AgCredit, PCA, and American AgCredit, FLCA (collectively, the Association), is a member-owned cooperative that provides credit and credit-related services to and for the benefit of eligible borrowers/stockholders for qualified agricultural purposes in the states of Nevada and Hawaii. In California, the Association serves the counties of Alameda, Alpine, Amador, Calaveras, Contra Costa, Del Norte, El Dorado, Humboldt, Lake, Lassen, Marin, Mariposa, Mendocino, Merced, Modoc, Mono, Monterey, Napa, Plumas, Riverside, Sacramento, San Benito, San Bernardino, San Diego, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Sierra, Siskiyou, Sonoma, Stanislaus, Tuolumne, and portions of Fresno, Los Angeles, Orange, and Trinity. In Kansas, the Association serves the counties of Barber, Barton, Butler, Chautauqua, Clark, Cloud, Comanche, Cowley, Edwards, Elk, Ellis, Ellsworth, Finney, Ford, Graham, Grant, Gray, Greeley, Greenwood, Hamilton, Harper, Harvey, Haskell, Jewell, Kearny, Kingman, Kiowa, Lane, Lincoln, McPherson, Meade, Mitchell, Morton, Norton, Osborne, Ottawa, Pawnee, Phillips, Pratt, Reno, Republic, Rice, Rooks, Rush, Russell, Saline, Scott, Sedgwick, Seward, Smith, Stafford, Stanton, Stevens, Sumner, Trego, and Wichita. In Oklahoma, the Association serves the counties of Kay, Noble, and Osage. In Colorado, the Association serves the counties of Adams, Arapahoe, Archuleta, Boulder, Broomfield, Clear Creek, Delta, Denver, Dolores, Douglas, Eagle, part of Elbert, Garfield, Gilpin, Grand, Gunnison, part of Hinsdale, Jackson, Jefferson, La Plata, Larimer, Mesa, Moffat, Montezuma, Montrose, Ouray, Pitkin, Rio Blanco, Routt, San Juan, San Miguel, part of Saquache, Summit, and Weld. The Association also serves the counties of San Juan and half of Rio Arriba that lies west of the Continental Divide in the state of New Mexico.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations, that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Farm Credit Act).

At December 31, 2022, the System was comprised of three Farm Credit Banks (FCBs), one Agricultural Credit Bank (ACB), and 63 associations. Each FCB and the ACB serve Federal Land Credit Associations (FLCAs) that originate and service long-term real estate mortgage loans, and/or Production Credit Associations (PCAs) that may originate and service short-term and intermediate-term loans. Agricultural Credit Associations (ACAs), FLCAs, and PCAs are collectively referred to as associations.

CoBank, its related associations, and AgVantis Inc. (AgVantis) are collectively referred to as "the District." CoBank provides the funding to associations within the District and is responsible for supervising certain activities of the District associations. AgVantis, which is owned by the entities it serves, provides technology and other operational services to certain associations. As of December 31, 2022, the District consisted of CoBank, 18 ACAs, which each have two wholly owned subsidiaries (an FLCA and a PCA), and AgVantis.

ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. Generally, the FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes. The Association also has a wholly owned subsidiary, AgCredit Holding Company, LLC, whose sole purpose is to hold, manage, and liquidate foreclosed property.

American AgCredit participates in AgDirect, LLP (AgDirect), a trade credit financing program that includes originations and refinancings of agricultural equipment loans through independent equipment dealers. AgDirect is an entity created by Farm Credit Services of America (FCSA), which is responsible for the marketing, operation, and implementation of the program. FCSA serves as the master servicer for the program assets and provides periodic reporting to investor associations. At December 31, 2022, the Association's investment in AgDirect was $26.5 million, representing a 6.4% ownership in the partnership.

Congress has delegated authority to the Farm Credit Administration (FCA) to regulate the System banks and associations. The FCA examines the activities of System institutions to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

The Farm Credit Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used to insure the timely payment of principal and interest on System-wide debt obligations (insured debt) and ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes. The Insurance Fund is also available for discretionary uses by the

FCSIC to provide assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the "secure base amount," which is defined in the Farm Credit Act as 2.0% of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or such other percentage of the aggregate obligations as the FCSIC, in its sole discretion, determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the FCSIC is required to reduce premiums, as necessary to maintain the Insurance Fund at the 2.0% level. As required by the Farm Credit Act, as amended, the FCSIC may return excess funds above the secure base amount to System institutions.

B. OPERATIONS: The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow from the Association, and financial services that can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments, and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related businesses. The Association also serves as an intermediary in offering credit life insurance and multi-peril crop insurance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Association conform to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Significant estimates are discussed in these notes, as applicable. Actual results may differ from these estimates.

The consolidated financial statements include the accounts of American AgCredit, PCA and American AgCredit, FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. RECENTLY ISSUED OR ADOPTED ACCOUNTING PRONOUNCEMENTS: The Association adopted the Financial Accounting Standards Board (FASB) guidance entitled "Measurement of Credit Losses on Financial Instruments" on January 1, 2023. This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. The guidance requires management to consider in its estimate of allowance for credit losses relevant historical events, current conditions, and reasonable and supportable forecasts that affect the collectability of the assets. Prior to the adoption, the allowance for credit losses represented management's estimate of the probable credit losses inherent in its loan portfolio and certain unfunded commitments. The adoption of this guidance was not material to the financial statements.

In March 2022, the FASB issued guidance entitled "Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures." The guidance eliminates the accounting guidance for troubled debt restructurings (TDRs) by creditors while enhancing disclosure requirements for certain loan refinancings and restructurings when a borrower is experiencing financial difficulty. The guidance will be applied to determine whether a modification results in a new loan or a continuation of an existing loan. In addition to the TDR guidance, the guidance requires public business entities to disclose current period gross loan charge-offs by year of origination within the scope of the credit losses standard. These amendments were effective for the Association upon adoption of the measurement of credit losses on financial instruments standard on January 1, 2023.

In March 2020, the FASB issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Reference Rate Reform)." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform to ease the potential burden related to reference rate reform (transition away from the London Inter-Bank Offered Rate (LIBOR)). The optional amendments were effective starting March 12, 2020. In December 2022, the FASB issued additional guidance (Accounting Standards Update No. 2022-06) that extends the period of time companies can utilize the reference rate reform guidance to December 31, 2024.

B. LOANS AND ALLOWANCE FOR LOAN LOSSES: Long-term real estate mortgage loans generally have maturities ranging up to 30 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less.

Loans are carried at their principal amount outstanding adjusted for charge-offs and deferred loan fees or costs. Loan origination fees and certain direct origination costs for mortgage loans and commercial loans with terms greater than one year are capitalized and the net fee or cost is amortized over the life of the related loan as an adjustment of the yield of the related loan. Interest on loans is accrued and credited to interest income based on the daily principal amount outstanding.

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. Loans reviewed for impairment include nonaccrual loans, restructured loans, and loans past due 90 days or more and still accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan contract is not received on or before the due date. A loan shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest, and penalty interest incurred, is collected or otherwise discharged in full.

Loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless adequately collateralized and in the process of collection), when circumstances indicate that collection of principal and/or interest is in doubt, or legal action, including foreclosure or other forms of collateral conveyance, has been initiated to collect the outstanding principal and interest. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is reversed (if accrued in the current year) and/or included in the recorded nonaccrual balance (if accrued in prior years). Loans are charged off at the time they are determined to be uncollectible.

When loans are in nonaccrual status, loan payments are generally applied against the recorded investment in the loan asset. Nonaccrual loans may, at times, be maintained on a cash basis. Generally, cash basis refers to the recognition of interest income from cash payments received on certain nonaccrual loans for which the collectability of the recorded investment in the loan is no longer in doubt and the loan does not have a remaining unrecovered charge-off associated with it. Nonaccrual loans may be transferred to accrual status when contractual principal and interest are current, the ability of the borrower to fulfill the contractual repayment terms is fully expected, and the loan is not classified as doubtful or loss. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or after the transfer is first recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

A restructured loan constitutes a troubled debt restructuring if, for economic or legal reasons related to the debtor's financial difficulties, the Association grants a concession to the debtor that it would not otherwise consider for then prevailing market conditions. In a restructure, the Association may grant certain monetary concessions to the borrower through modifications to the contractual term of the loan. A concession is generally granted to minimize the Association's economic loss and avoid foreclosure. Concessions vary by program, are borrower-specific, and may include interest rate reductions, term extensions, payment deferrals, or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. A loan restructured in a troubled debt restructuring is an impaired loan. If the borrower's ability to meet the revised payment schedule is uncertain, the loan is classified as a nonaccrual loan.

The Association purchases loan and lease participations from other System entities to generate additional earnings and diversify risk related to existing commodities financed and the geographic area served. Additionally, the Association sells a portion of certain large loans to other System entities to reduce risk and comply with established lending limits. When loans are sold, the sale terms comply with requirements under ASC Topic 860, "Transfers and Servicing."

The Association uses a two-dimensional loan rating model based on internally generated combined System risk-rating guidance and actual Association loss history that incorporates a 14-point risk-rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan assuming default has occurred or is expected to occur within the next 12 months.

Each of the probability of default categories carries a distinct percentage of default probability. The 14-point risk-rating scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows more rapidly as a loan moves from a 9 to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (nonviable) rating indicates that the probability of default is almost certain.

The credit risk-rating methodology is a key component of the Association's allowance for loan losses evaluation and is generally incorporated into the loan underwriting standards and internal lending limit. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio. The allowance is increased through provision for loan losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic and environmental conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions, and prior loan loss experience. The allowance for loan losses encompasses various judgments, evaluations, and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty, imprecision, and variability. Changes in the overall global economy, agricultural economy, and environment, and their impact on borrower repayment capacity will cause various judgments, evaluations, and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the Association's expectations and predictions of those circumstances. Management considers the following macro-economic factors in determining and supporting the level of allowance for loan losses: the concentration of lending in agriculture, combined with uncertainties associated with farmland values; commodity prices; exports; government assistance programs; regional economic effects; and weather-related influences.

A specific allowance may be established for impaired loans under GAAP. Impairment of these loans is measured by the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, by the loan's observable market price, or fair value of the collateral, if the loan is collateral dependent.

The reserve for unfunded lending commitments is based on management's best estimate of losses inherent in lending commitments made to customers but not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement were utilized in determining this contingency.

C. CASH: Cash, as included in the consolidated financial statements, represents cash on hand and on deposit at financial institutions. At times, cash deposits may be in excess of federally insured limits.

D. INVESTMENT IN COBANK: The Association's required investment in CoBank is in the form of Class A stock. The minimum required investment is 3.0% of the prior one-year average direct loan volume. The investment in CoBank is composed of patronage-based stock and purchased stock. The requirement for capitalizing patronage-based participation loans sold to CoBank is 7.0% of the prior 10-year average of such participations sold to CoBank. The Association has elected the alternative to measure its investment in CoBank at cost, as no readily determinable fair value is available.

E. OTHER PROPERTY OWNED: Other property owned, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at fair value less estimated selling costs upon acquisition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. On at least an annual basis, revised estimates to the fair value are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in losses on other property owned, net in the Consolidated Statements of Comprehensive Income.

F. PREMISES AND EQUIPMENT: Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation and amortization computed by the straight-line method over the estimated useful lives of the assets. Useful lives for buildings are 39 years and range from four to seven years for furniture, equipment, and automobiles. Progress payments for assets under construction or development are held in construction in progress and do not begin depreciation until the asset is designated as complete and placed in service by the Association. Gains and losses on dispositions are reflected in current operating results. Maintenance and repairs are expensed, and improvements above certain thresholds are capitalized. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.

The balance sheet effect of operating leases for office space, and finance leases for vehicles, are included in premises and equipment and other liabilities on the balance sheet. Right-of-use assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represent the Association's obligation to make lease payments arising from the lease.

The Association purchases, as well as internally develops and customizes, certain software to enhance or perform internal business functions. Software development costs, as well as costs for software that are part of a cloud computing arrangement incurred in the preliminary and post-implementation project stages, are charged to non-interest expense. Costs associated with designing software configuration, installation, coding programs, and testing systems are capitalized and amortized using the straight-line method over three years.

G. OTHER ASSETS AND OTHER LIABILITIES: Other assets are composed primarily of patronage receivables from other Farm Credit institutions and pension plan assets. Significant components of other liabilities primarily include short- and long-term incentive compensation payables, pension plan liabilities, and Farm Credit System Insurance Corporation (FCSIC) premiums payable.

H. FUNDS HELD ACCOUNTS: The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. To the extent the borrower's access to such Funds Held is restricted, the Funds Held are netted against the borrower's related loan balance. Unrestricted Funds Held are included in liabilities in the Consolidated Statements of Condition. Restricted Funds Held are primarily associated with mortgage loans, while unrestricted Funds Held are primarily related to production and intermediate-term loans and insurance proceeds on mortgage loans. Funds Held are not insured. Interest is generally paid by the Association on Funds Held accounts.

I. EMPLOYEE BENEFIT PLANS: Certain employees of the Association participate in either the Ninth Farm Credit District Pension Plan (Ninth Plan) or the Eleventh Farm Credit District Employee's Retirement Plan (Eleventh Plan) (together Ninth and Eleventh Retirement Plans or Pension Plans) and/or the Farm Credit Foundations' Defined Contribution/401(k) Plan (Defined Contribution Plan). The Ninth and Eleventh Retirement Plans are noncontributory defined benefit plans. Benefits are based on compensation and years of service. The Association recognizes its proportional share of expense and contributes its proportional share of funding. The Ninth Plan was closed to employees beginning January 1, 2007. The Eleventh Plan was closed to employees hired after December 31, 1997.

The Defined Contribution Plan has two components. Employees who do not participate in the Ninth Plan may receive benefits through the employer contribution portion of the Defined Contribution Plan. In this portion of the plan, the Association provides a contribution based on a defined percentage of the employee's salary. Employees may also participate in the employee contribution portion of the Defined Contribution Plan governed by Section 401(k) of the Internal Revenue Code (401(k)). The Association matches a certain percentage of employee contributions to the 401(k). Employees hired on or after January 1, 1998, are eligible to participate only in the Defined Contribution Plan. All defined contribution costs are expensed in the same period that participants earn employer contributions.

The Association also participates in the Former Ninth and Eleventh District Employers Restoration Plan (Restoration Plan). This plan provides retirement benefits above the Internal Revenue Code compensation limit to certain highly compensated eligible employees. Benefits payable under the plans are offset by the benefits payable from the Pension Plans.

Certain eligible employees may also participate in a nonqualified deferred compensation plan, which is included in other assets and other liabilities in the Consolidated Statements of Condition, where they are able to defer a portion of their compensation. The Association matches a certain percentage of employee contributions to the plan.

The Association also provides certain health and life insurance benefits to eligible current and retired employees through the Farm Credit Foundations Retiree Medical Plan and Retiree Life Plan. Substantially all employees may become eligible for those benefits if they reach normal retirement age while working for the Association. The anticipated costs of these benefits are accrued during the period of the employee's active service. Accounting standards require the accrual of the expected cost of providing postretirement benefits during the years that the employee renders service necessary to become eligible for these benefits.

J. INCOME TAXES: As previously described, the ACA holding company conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through a wholly owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through a wholly owned PCA subsidiary. The ACA, which is the holding company, and the PCA subsidiary are subject to income taxes. The Association accounts for income taxes under the liability method. Accordingly, deferred taxes are recognized for estimated taxes ultimately payable or recoverable based on federal, state, or local laws. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation.

The Association elects to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock, or allocated surplus. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage refunds. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts reflected in the financial statements and tax bases of assets and liabilities. In addition, a valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50% probability), based on management's estimate, that the deferred tax assets will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings.

At December 31, 2022, deferred income taxes have not been provided on approximately $78.7 million of patronage refunds received from the Bank before January 1, 1993, the adoption date of accounting guidance on income taxes. Such refunds, distributed in the form of stock, are subject to tax only upon conversion to cash. Management's intent is to permanently invest these undistributed earnings in CoBank, thereby indefinitely postponing their conversion to cash.

The Association has not provided deferred income taxes on amounts allocated to the Association that relate to the Bank's post-1992 earnings to the extent that such earnings will be passed through to the Association's borrowers through qualified patronage allocations. Additionally, deferred income taxes have not been provided on the Bank's post-1992 unallocated earnings. CoBank currently has no plans to distribute unallocated CoBank earnings and does not contemplate circumstances that, if distributions were made, would result in taxes being paid at the Association level.

For state tax purposes, the Association can exclude from taxable income all patronage-sourced income. Therefore, the provision for state income taxes is made only on non-patronage-sourced taxable earnings.

K. PATRONAGE INCOME FROM FARM CREDIT INSTITUTIONS: Patronage income from Farm Credit institutions is accrued by the Association in the year earned.

L. OTHER COMPREHENSIVE INCOME/LOSS: Other comprehensive income/loss refers to revenue, expenses, gains, and losses that under generally accepted accounting principles are recorded as an element of shareholders' equity and comprehensive income but are excluded from net income. Accumulated other comprehensive income/loss refers to the balance of these transactions. The Association records other comprehensive income/loss associated with the liability under the Restoration Plan.

M. FAIR VALUE MEASUREMENT: Accounting guidance defines fair value, establishes a framework for measuring fair value, and specifies disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets include assets held in trust funds that relate to the Association's nonqualified deferred compensation plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Level 2: Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current, or principal market information is not released publicly; (c) inputs other than quoted prices that are observable, such as interest rates and yield curves, prepayment speeds, credit risks, and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the determination of the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. Level 3 assets include impaired loans, and other property owned.

The fair value disclosures are presented in Note 16.

N. OFF-BALANCE-SHEET CREDIT EXPOSURES: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

Other off-balance-sheet liabilities include Risk Participation Agreements held with CoBank. Risk Participation Agreements are agreements with CoBank where the Association shares 50% of the risk of swap transactions customers have entered into with CoBank. Risk Participation Agreements are recorded at their fair value on the consolidated balance sheets. Changes in the fair value are recorded in current period earnings.

O. ACQUISITION ACCOUNTING: Accounting guidance on business combinations applies to all transactions in which an entity obtains control of one or more businesses and requires the acquirer to use the acquisition method of accounting and recognize assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. For the Association, because the stock is fixed in value, the stock issued pursuant to a merger provides no basis for estimating the fair value of the consideration transferred pursuant to the merger. In the absence of a purchase price determination, the acquiring Association would identify and estimate the acquisition date fair value of the equity interests (net assets) of the acquired Association instead of the acquisition date fair value of the equity interests transferred as consideration. The fair value of the assets acquired, including specific intangible assets and liabilities assumed, are measured based on various estimates using assumptions that management believes are reasonable utilizing information currently available. The excess value received by the acquiring Association from the acquired Association over the par value of capital stock and participation certificates issued in the merger is considered to be additional paid-in capital.

On October 26, 2022, the boards of directors of American AgCredit, ACA and Farm Credit of New Mexico, ACA approved an agreement and plan of merger under which Farm Credit of New Mexico would merge with and into American AgCredit (the "Merger"). If the FCA grants preliminary approval of the Merger, the Associations will each hold a special meeting of stockholders in order to obtain stockholder approval of the Merger. Assuming stockholder and final FCA approvals are timely received, we anticipate the Merger taking effect on July 1, 2023.

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES

Components of loans in the Consolidated Statements of Condition are as follows:

December 31	2022	2021	2020
Real estate mortgage	$9,716,259	$8,889,724	$7,802,390
Production and intermediate-term	3,654,915	3,514,590	3,132,095
Agribusiness	3,474,462	2,960,834	2,747,599
Rural infrastructure	526,095	526,303	445,199
Agricultural export finance	58,585	41,554	41,563
Rural residential real estate	1,492	1,725	2,028
Total	**$17,431,808**	**$15,934,730**	**$14,170,874**

The Association, in the normal course of business, purchases and sells participation interests with other parties to diversify risk, manage loan volume, and comply with FCA regulations. All loans sold to others are sold without recourse. The Association had no participations purchased from or sold to non-Farm Credit institutions at December 31, 2022. The following table presents information regarding participations purchased from and sold to other Farm Credit institutions as of December 31, 2022.

December 31, 2022	Participations Purchased	Participations Sold
Real estate mortgage	$690,312	$2,194,178
Production and intermediate-term	845,957	1,149,143
Agribusiness	2,023,662	3,180,519
Rural infrastructure	495,989	160,884
Agricultural export finance	58,585	–
Total	**$4,114,505**	**$6,684,724**

The Association's concentration of credit risk in various agricultural commodities is shown in the following table. While the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's lending activities is collateralized and the exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for loan losses.

December 31	2022		2021		2020	
Vineyards and wineries	$2,842,082	16%	$2,602,748	17%	$2,404,511	18%
Tree fruits and nuts	2,464,158	14	2,268,235	14	1,750,959	12
Field crops	2,306,134	13	2,213,210	14	2,037,113	14
Dairies	2,070,768	12	1,934,739	12	1,704,228	12
Beef	1,788,061	10	1,665,502	10	1,404,048	10
Forest products	1,326,988	8	1,219,151	8	1,162,992	8
Vegetables	643,677	4	540,249	3	566,638	4
Other	3,989,940	23	3,490,896	22	3,140,385	22
Total	**$17,431,808**	**100%**	**$15,934,730**	**100%**	**$14,170,874**	**100%**

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are secured by first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85% (97% if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value after loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in loan-to-value ratios in excess of the regulatory maximum.

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

Acceptable: Assets are expected to be fully collectible and represent the highest quality;

Other Assets Especially Mentioned (OAEM): Assets are currently collectible but exhibit some potential weakness;

Substandard: Assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan;

Doubtful: Assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions, and values that make collection in full highly questionable; and

Loss: Assets are considered uncollectible.

The determination of the allowance for loan losses is based on estimates that are susceptible to changes in the economic environment and market conditions and is based on the Association's past loss experience, known and inherent risks in the portfolio, the estimated value of the underlying collateral, and current economic conditions. Management believes that as of December 31, 2022, the allowance for loan losses is adequate based on information currently available.

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of December 31.

December 31	2022	2021	2020
Real estate mortgage:			
Acceptable	96.16%	96.34%	95.73%
OAEM	1.58	1.65	2.30
Substandard/Doubtful	2.26	2.01	1.97
	100.00%	**100.00%**	**100.00%**
Production and intermediate-term:			
Acceptable	94.38%	93.77%	94.29%
OAEM	2.07	3.22	3.97
Substandard/Doubtful	3.55	3.01	1.74
	100.00%	**100.00%**	**100.00%**
Agribusiness:			
Acceptable	93.75%	97.20%	97.83%
OAEM	1.99	0.53	1.80
Substandard/Doubtful	4.26	2.27	0.37
	100.00%	**100.00%**	**100.00%**
Rural infrastructure:			
Acceptable	100.00%	100.00%	100.00%
	100.00%	**100.00%**	**100.00%**
Rural residential real estate:			
Acceptable	95.48%	94.30%	94.16%
Substandard/Doubtful	4.52	5.70	5.84
	100.00%	**100.00%**	**100.00%**
Agricultural export finance:			
Acceptable	100.00%	100.00%	100.00%
	100.00%	**100.00%**	**100.00%**
Total loans:			
Acceptable	95.44%	96.06%	95.96%
OAEM	1.71	1.73	2.50
Substandard/Doubtful	2.85	2.21	1.54
	100.00%	**100.00%**	**100.00%**

Impaired loans are loans for which it is probable that not all principal and interest will be collected according to the contractual terms. The following table presents information relating to impaired loans (including accrued interest).

December 31	2022	2021	2020
Nonaccrual:			
Current as to principal and interest	$148,034	$52,728	$30,222
Past due	24,132	13,708	21,319
Total nonaccrual loans	**172,166**	**66,436**	**51,541**
Accrual:			
Accruing restructured loans	7,999	9,593	10,872
Accruing 90 days or more past due	-	658	509
Total impaired accrual loans	**7,999**	**10,251**	**11,381**
Total impaired loans	**$180,165**	**$76,687**	**$62,922**

Commitments to lend additional funds to debtors whose loans were classified as impaired at December 31 were $12.2 million for 2022, $2.0 million for 2021, and $629 thousand for 2020.

High-risk assets consist of impaired loans and other property owned. The following table presents these in more detail than the previous table. These nonperforming assets (including accrued interest) are as follows:

December 31	2022	2021	2020
Nonaccrual loans:			
Real estate mortgage	$85,239	$39,126	$40,246
Production and intermediate-term	34,208	13,913	6,538
Agribusiness	52,651	13,298	4,638
Rural residential real estate	68	99	119
Total nonaccrual loans	**172,166**	**66,436**	**51,541**
Accruing restructured loans:			
Real estate mortgage	6,199	9,577	10,854
Production and intermediate-term	14	16	18
Agribusiness	1,786	–	–
Total accruing restructured loans	**7,999**	**9,593**	**10,872**
Accruing loans 90 days or more past due:			
Real estate mortgage	–	658	–
Production and intermediate-term	–	–	509
Total accruing loans 90 days or more past due	–	**658**	**509**
Total impaired loans	**180,165**	**76,687**	**62,922**
Other property owned	4,160	4,160	4,160
Total high-risk-assets	**$184,325**	**$80,847**	**$67,082**

Additional impaired loan information is as follows:

	At December 31, 2022			For the Year Ended December 31, 2022	
	Recorded Investment	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized**
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$299	$299	$45	$439	$–
Production and intermediate-term	6,450	6,645	2,181	2,274	4
Agribusiness	45,807	46,582	9,805	8,165	–
Total	**$52,556**	**$53,526**	**$12,031**	**$10,878**	**$4**
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$91,139	$96,853	$–	$67,283	$3,027
Production and intermediate-term	27,772	44,970	–	18,746	581
Agribusiness	8,630	11,222	–	7,254	78
Rural residential real estate	68	99	–	65	4
Total	**$127,609**	**$153,144**	**$–**	**$93,348**	**$3,690**
Total impaired loans:					
Real estate mortgage	$91,438	$97,152	$45	$67,722	$3,027
Production and intermediate–term	34,222	51,615	2,181	21,020	585
Agribusiness	54,437	57,804	9,805	15,419	78
Rural residential real estate	68	99	–	65	4
Total	**$180,165**	**$206,670**	**$12,031**	**$104,226**	**$3,694**

Additional impaired loan information, continued.

	At December 31, 2021			For the Year Ended December 31, 2021	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$1,796	$1,953	$823	$1,527	$–
Production and intermediate-term	1,792	1,957	455	2,558	–
Agribusiness	1,667	1,667	705	110	–
Total	**$5,255**	**$5,577**	**$1,983**	**$4,195**	**$–**
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$47,565	$54,181	$–	$53,269	$2,657
Production and intermediate-term	12,137	27,626	–	6,256	814
Agribusiness	11,631	14,028	–	1,755	169
Rural residential real estate	99	126	–	85	–
Total	**$71,432**	**$95,961**	**$–**	**$61,365**	**$3,640**
Total impaired loans:					
Real estate mortgage	$49,361	$56,134	$823	$54,796	$2,657
Production and intermediate–term	13,929	29,583	455	8,814	814
Agribusiness	13,298	15,695	705	1,865	169
Rural residential real estate	99	126	–	85	–
Total	**$76,687**	**$101,538**	**$1,983**	**$65,560**	**$3,640**

	At December 31, 2020			For the Year Ended December 31, 2020	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$2,181	$2,289	$1,322	$977	$–
Production and intermediate-term	827	1,106	304	459	–
Agribusiness	–	–	–	2,881	–
Total	**$3,008**	**$3,395**	**$1,626**	**$4,317**	**$–**
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$48,919	$55,917	$–	$51,286	$2,738
Production and intermediate-term	6,238	18,733	–	5,574	453
Agribusiness	4,638	6,990	–	1,301	1,884
Rural residential real estate	119	145	–	103	2
Total	**$59,914**	**$81,785**	**$–**	**$58,264**	**$5,077**
Total impaired loans:					
Real estate mortgage	$51,100	$58,206	$1,322	$52,263	$2,738
Production and intermediate-term	7,065	19,839	304	6,033	453
Agribusiness	4,638	6,990	–	4,182	1,884
Rural residential real estate	119	145	–	103	2
Total	**$62,922**	**$85,180**	**$1,626**	**$62,581**	**$5,077**

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

Interest income is recognized and cash payments are applied on nonaccrual impaired loans as described in Note 2. The following table presents interest income recognized on impaired loans.

For the Year Ended December 31	2022	2021	2020
Interest income recognized on:			
Nonaccrual loans	$3,159	$3,128	$4,532
Accruing restructured loans	535	475	516
Accrual loans 90 days or more past due	–	37	29
Interest income recognized on impaired loans	**$3,694**	**$3,640**	**$5,077**

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans are shown in the following table.

For the Year Ended December 31	2022	2021	2020
Interest income that would have been recognized under the original loan terms	$12,188	$7,450	$9,261
Less: interest income recognized	(3,694)	(3,603)	(5,048)
Foregone interest income	**$8,494**	**$3,847**	**$4,213**

The following tables provide an age analysis of past due loans (including accrued interest).

December 31, 2022	30–89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$19,560	$6,956	$26,516	$9,815,825	$9,842,341
Production and intermediate-term	16,820	2,123	18,943	3,670,464	3,689,407
Agribusiness	1,133	–	1,133	3,490,859	3,491,992
Rural infrastructure	11,810	–	11,810	515,103	526,913
Rural residential real estate	–	–	–	1,509	1,509
Agricultural export finance	–	–	–	59,135	59,135
Total	**$49,323**	**$9,079**	**$58,402**	**$17,552,895**	**$17,611,297**

December 31, 2021	30–89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$12,999	$8,784	$21,783	$8,956,331	$8,978,114
Production and intermediate-term	5,524	2,937	8,461	3,527,806	3,536,267
Agribusiness	50	–	50	2,969,690	2,969,740
Rural infrastructure	–	–	–	526,566	526,566
Rural residential real estate	1	17	18	1,713	1,731
Agricultural export finance	–	–	–	41,843	41,843
Total	**$18,574**	**$11,738**	**$30,312**	**$16,023,949**	**$16,054,261**

December 31, 2020	30–89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$17,416	$9,549	$26,965	$7,859,300	$7,886,265
Production and intermediate-term	6,362	1,788	8,150	3,144,669	3,152,819
Agribusiness	1,268	4,572	5,840	2,751,381	2,757,221
Rural infrastructure	–	–	–	445,417	445,417
Rural residential real estate	97	21	118	1,917	2,035
Agricultural export finance	–	–	–	41,852	41,852
Total	**$25,143**	**$15,930**	**$41,073**	**$14,244,536**	**$14,285,609**

A restructuring of debt constitutes a troubled debt restructuring (TDR) if the creditor, for economic 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 regarding TDRs, whether accrual or non-accrual, that occurred during the period presented.

Year Ended December 31, 2022	Pre-Modification Outstanding Recorded Investment*	Post-Modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Real estate mortgage	$867	$867
Production and intermediate-term	351	351
Total	**$1,218**	**$1,218**

Year Ended December 31, 2021	Pre-Modification Outstanding Recorded Investment*	Post-Modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Production and intermediate-term	$4,782	$4,782
Total	**$4,782**	**$4,782**

Year Ended December 31, 2020	Pre-Modification Outstanding Recorded Investment*	Post-Modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Production and intermediate-term	$1,153	$1,153
Total	**$1,153**	**$1,153**

*Pre-modification represents the recorded investment in the loan receivable just prior to restructuring and post-modification represents the recorded investment in the loan receivable immediately following the restructuring. The recorded investment is the face amount of the loan receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the loan receivable.

In the allowance for loan loss analysis, TDR loans are individually evaluated and a specific allowance is established based on the likelihood current events will result in an anticipated loss on the individual loans.

The following table presents information regarding TDRs that occurred within the previous 12 months of that year end and for which there was a payment default during the period.

	Recorded Investment		
Year Ended December 31	2022	2021	2020
Troubled debt restructurings that subsequently defaulted:			
Production and intermediate-term	$1.6	$–	$–
Total	**$1.6**	**$–**	**$–**

At December 31, 2022, the Association had no additional commitments to lend to borrowers whose loans have been modified in TDRs.

The following table provides information on the outstanding principal balance of loans restructured in TDR at period-end. These loans are included as impaired loans in the impaired loan table on page 58.

December 31	2022	2021	2020
Loans modified as TDRs:			
Real estate mortgage	$7,972	$9,539	$10,833
Production and intermediate-term	13	15	18
Total	**$7,985**	**$9,554**	**$10,851**
TDRs in nonaccrual status:			
Real estate mortgage	$1,294	$2,403	$2,614
Production and intermediate-term	639	1,094	379
Total	**$1,933**	**$3,497**	**$2,993**

A summary of changes in the allowance for loan losses and period-end recorded investment in loans is as follows:

	Allowance for Loan Losses		Recorded Investments in Loans Outstanding	
Ending Balance at December 31, 2022	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$45	$11,070	$91,438	$9,750,903
Production and intermediate-term	2,181	13,490	34,222	3,655,185
Agribusiness	9,805	12,318	54,437	3,437,555
Rural infrastructure	–	457	–	526,913
Rural residential real estate	–	–	68	1,441
Agricultural export finance	–	82	–	59,135
Total	**$12,031**	**$37,417**	**$180,165**	**$17,431,132**

	Allowance for Loan Losses		Recorded Investments in Loans Outstanding	
Ending Balance at December 31, 2021	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$823	$10,567	$49,360	$8,928,754
Production and intermediate-term	455	15,500	13,929	3,522,338
Agribusiness	705	8,838	13,298	2,956,442
Rural infrastructure	–	526	–	526,566
Rural residential real estate	–	1	99	1,632
Agricultural export finance	–	100	–	41,843
Total	**$1,983**	**$35,532**	**$76,686**	**$15,977,575**

	Allowance for Loan Losses		Recorded Investments in Loans Outstanding	
Ending Balance at December 31, 2020	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$1,322	$10,493	$51,100	$7,835,165
Production and intermediate-term	304	13,395	7,065	3,162,022
Agribusiness	–	7,003	4,638	2,736,315
Rural infrastructure	–	503	–	445,417
Rural residential real estate	–	1	119	1,916
Agricultural export finance	–	190	–	41,852
Total	**$1,626**	**$31,585**	**$62,922**	**$14,222,687**

	Balance at December 31, 2021	Charge-offs	Recoveries	Provision for Loan Losses / (Loan Loss Reversals)	Balance at December 31, 2022
Real estate mortgage	$11,390	$112	$35	$(422)	$11,115
Production and intermediate-term	15,955	(2,142)	1,391	467	15,671
Agribusiness	9,543	(851)	779	12,652	22,123
Rural infrastructure	526	–	–	(69)	457
Rural residential real estate	1	–	–	(1)	–
Agricultural export finance	100	–	–	(18)	82
Total	**$37,515**	**$(2,881)**	**$2,205**	**$12,609**	**$49,448**

	Balance at December 31, 2020	Charge-offs	Recoveries	Provision for Loan Losses / (Loan Loss Reversals)	Balance at December 31, 2021
Real estate mortgage	$11,815	$(105)	$3	$(323)	$11,390
Production and intermediate-term	13,699	(7,347)	4,612	4,991	15,955
Agribusiness	7,003	–	19	2,521	9,543
Rural infrastructure	503	–	–	23	526
Rural residential real estate	1	–	–	–	1
Agricultural export finance	190	–	–	(90)	100
Total	**$33,211**	**$(7,452)**	**$4,634**	**$7,122**	**$37,515**

	Balance at December 31, 2019	Charge-offs	Recoveries	Provision for Loan Losses / (Loan Loss Reversals)	Balance at December 31, 2020
Real estate mortgage	$6,676	$(373)	$689	$4,823	$11,815
Production and intermediate-term	11,666	(2,842)	1,076	3,799	13,699
Agribusiness	6,703	–	157	143	7,003
Rural infrastructure	564	–	–	(61)	503
Rural residential real estate	2	–	–	(1)	1
Agricultural export finance	196	–	–	(6)	190
Total	**$25,807**	**$(3,215)**	**$1,922**	**$8,697**	**$33,211**

The Association maintains a separate reserve for unfunded commitments, which is included in liabilities on the Consolidated Statements of Condition. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the Consolidated Statements of Comprehensive Income, along with the provision for loan losses.

A summary of the changes in the reserve for unfunded lending commitments is shown in the following table:

Year Ended December 31	2022	2021	2020
Balance at the beginning of the year	$4,192	$4,482	$3,744
(Reversal of)/provision for unfunded lending commitments	(292)	(290)	738
Balance at end of the year	**$3,900**	**$4,192**	**$4,482**

To mitigate the risk of loan losses, the Association may enter into Long-Term Standby Commitment to Purchase agreements with Federal Agricultural Mortgage Corporation (Farmer Mac). The agreements, which are effectively credit guarantees that will remain in place until the loans are paid in full, give the Association the right to sell the loans identified in the agreements to Farmer Mac in the event a delinquency of four months occurs, subject to certain conditions. The balance of the loans under the Long-Term Standby Commitment to Purchase agreements was $124.8 million, $104.7 million, and $64.6 million at December 31, 2022, 2021, and 2020, respectively. Fees paid to Farmer Mac for such commitments totaled $567 thousand, $371 thousand, and $314 thousand for the years ended December 31, 2022, 2021, and 2020, respectively. These amounts are classified as interest expense in the Consolidated Statements of Comprehensive Income. Farmer Mac has not purchased any loans under this agreement.

NOTE 4 – INVESTMENT IN COBANK

At December 31, 2022, the Association's investment in CoBank is in the form of Class A stock with a par value of $100 per share. The Association is required to own stock in CoBank to capitalize its direct loan balance and participation loans sold to CoBank. The current requirement for capitalizing its direct loan from CoBank is 3.0% of the Association's prior one-year average direct loan balance. The 2022 requirement for capitalizing patronage-based participation loans sold to CoBank is 7.0% of the Association's prior 10-year average balance of such participations sold to CoBank. Under the current CoBank capital plan applicable to such participations sold, patronage from CoBank related to these participations sold is paid 75.0% cash and 25.0% Class A stock. The capital plan is evaluated annually by CoBank's Board of Directors and management and is subject to change.

CoBank may require the holders of its equities to subscribe for such additional capital as may be needed to meet its capital requirements or its joint and several liability under the Act and regulations. In making such a capital call, CoBank shall consider the financial condition of each such holder and such other considerations, as it deems appropriate.

The Association owned approximately 11.51% of the outstanding common stock of CoBank at December 31, 2022. CoBank retired $21.2 million of the Association's stock investment on March 15, 2022, due to changes in its capital requirements.

NOTE 5 – PREMISES AND EQUIPMENT

Premises and equipment consist of the following:

December 31	2022	2021	2020
Buildings and improvements	$122,374	$122,386	$122,386
Furniture and equipment	18,479	18,628	18,630
Land	13,226	13,226	13,226
Construction in progress	101	101	–
Vehicles	2,029	2,847	2,660
Premises and equipment at cost	156,209	157,188	156,902
Less: accumulated depreciation	(50,904)	(46,498)	(41,117)
Premises and equipment, net	**$105,305**	**$110,690**	**$115,785**

Future minimum lease payments under non-cancellable leases as of December 31, 2022, were as follows:

	Operating Leases	Finance Leases	Total
2023	$715	$1,610	$2,325
2024	633	1,287	1,920
2025	547	913	1,460
2026	329	–	329
2027	101	–	101
Thereafter	1,292	–	1,292
Total lease payments	**3,617**	**3,810**	**7,427**
Less: interest	–	(281)	(281)
Total	**$3,617**	**$3,529**	**$7,146**

Right-of-use assets, net of accumulated amortization, amounted to $5.9 million at December 31, 2022, $4.4 million at December 31, 2021, and $5.1 million at December 31, 2020. These amounts are included with premises and equipment, net on the Consolidated Statements of Condition.

NOTE 6 – OTHER PROPERTY OWNED

Gains and losses on other property owned, as reflected in other gains/losses, net on the Consolidated Statements of Income, consisted of the following:

December 31	2022	2021	2020
Carrying value adjustments	$–	$–	$619
Operating expense, net	49	60	28
Losses on other property owned, net	**$49**	**$60**	**$647**

NOTE 7 – NOTES PAYABLE TO COBANK

The Association's indebtedness to CoBank represents borrowings by the Association to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets to CoBank and is governed by a General Financing Agreement (GFA). The GFA is subject to renewal periodically in accordance with normal business practices and requires the Association to comply with certain covenants. The GFA matures on May 31, 2023. Management expects renewal of the GFA at that time. The Association's debt is primarily block-funded through a direct note with CoBank. The weighted average interest rate is determined based on the terms and conditions of the Association's borrowing. The weighted average interest rate was 3.27% at December 31, 2022, compared with 0.65% at December 31, 2021, and 0.76% at December 31, 2020.

Through the note payable, the Association was liable for the following:

December 31	2022	2021	2020
Fixed rate debt	$6,041,761	$5,460,009	$4,894,720
Floating rate debt	4,896,177	4,413,681	4,171,616
Discount notes	3,113,182	2,883,466	2,748,986
Daily revolving line of credit	717,880	814,054	443,241
Total	**$14,769,000**	**$13,571,210**	**$12,258,563**

Fixed rate debt typically has original maturities ranging from one to 30 years, and at December 31, 2022, included callable debt of $1.93 billion, with a range of call dates between January 2023 and March 2027. Floating rate notes generally have maturities ranging from one year to five years. Discount notes have maturities from one day to 365 days. The daily revolving line of credit is renewed annually and is priced at the 30-day discount note rate.

The maturities of debt within the note payable to CoBank as of December 31, 2022, are as follows:

Year of Maturity	Amount	Weighted Average Interest Rate
2023	$7,193,899	3.78%
2024	3,396,987	3.34%
2025	400,637	2.16%
2026	492,853	1.69%
2027	498,000	2.69%
Subsequent years	2,786,624	2.40%
Total	**$14,769,000**	**3.27%**

Under the Farm Credit Act, the Association is obligated to borrow from CoBank, unless CoBank gives approval to borrow elsewhere.

NOTE 8 – SUBORDINATED DEBT

In June 2021, the Association issued subordinated debt with an overall principal balance of $200.0 million, due in 2036, which may be redeemed all or in part at the option of the Association on any interest payment date on or after June 2031. The subordinated debt bears a fixed interest rate of 3.375% per annum, payable semi-annually until June 15, 2031, at which point the rate changes to a floating rate equal to the benchmark rate, expected to be three-month term SOFR, plus a spread of 212 basis points through maturity date or the date of earlier redemption. The subordinated debt is subordinate to all other creditor debt, including general creditors, and senior to all classes of stock. The subordinated debt is not considered System debt and is not an obligation of, nor guaranteed by any System entity. Further, payments on the subordinated debt are not insured by the FCSIC. The subordinated debt is presented net of unamortized issuance costs of approximately $2.2 million on the Consolidated Statements of Condition.

NOTE 9 – SHAREHOLDERS' EQUITY

A description of the Association's capitalization requirements, capital protection mechanisms, regulatory capitalization requirements and restrictions, and equities is provided in the following.

A. COMMON STOCK AND PARTICIPATION CERTIFICATES

In accordance with the Farm Credit Act and the Association's capitalization bylaws, each borrower is required to invest in common stock (for agricultural loans) or participation certificates (for rural home and farm-related business loans) in the Association as a condition of borrowing. In accordance with the Association's capitalization bylaws, the required investment is currently the lesser of $1,000 or 2.0% of the total borrower's commitment.

The borrower acquires ownership of the common stock or participation certificates at the time the loan is made, but usually does not make a cash investment. The aggregate par value is added to the principal amount of the related loan obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers. At the discretion of the Board of Directors, retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding stock or participation certificates.

B. ADDITIONAL PAID-IN CAPITAL

Additional paid-in capital represents the excess value received over the par value of capital stock and participation certificates issued in connection with mergers and acquisitions. Additional paid-in capital also includes a reduction for capital stock issuance costs incurred.

C. REGULATORY CAPITALIZATION REQUIREMENTS AND RESTRICTIONS

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations.

The following table presents the regulatory capital ratio requirements and ratios at December 31:

Ratio	Primary Components of Numerator	Denominator	Ratios as of December 31, 2022	Ratios as of December 31, 2021	Ratios as of December 31, 2020	Minimum With Buffer	Minimum Requirement
Common Equity Tier 1 (CET1) capital	URE and common cooperative equities (qualifying capital stock and allocated equity)[1]	Risk-weighted assets	10.09%	10.69%	11.55%	7.00%	4.50%
Tier 1 capital	CET1 capital and non-cumulative perpetual preferred stock	Risk-weighted assets	11.58%	12.37%	11.55%	8.50%	6.00%
Total capital	Tier 1 capital, allowance for loan losses[2], other common cooperative equities[3], and term preferred stock and subordinated debt[4]	Risk-weighted assets	12.81%	13.71%	11.79%	10.50%	8.00%
Tier 1 leverage	Tier 1 capital (at least 1.5% must be URE and URE equivalents)	Total assets	13.29%	14.10%	13.16%	5.00%	4.00%
URE and URE equivalents (UREE) leverage	URE and URE equivalents	Total assets	11.51%	13.36%	13.94%	–	1.50%
Permanent capital	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	Risk-weighted assets	12.82%	13.69%	12.83%	–	7.00%

1. Equities subject to a minimum redemption or revolvement period of 7 or more years
2. Capped at 1.25% of risk-weighted assets and inclusive of the reserve for unfunded commitments
3. Equities subject to a minimum redemption or revolvement period of 5 or more years, but less than 7 years
4. Equities subject to a minimum redemption or revolvement period of 5 or more years

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and cash patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

D. DESCRIPTION OF EQUITIES

Class A Common Stock: (nonvoting, at-risk, no shares outstanding, $5 par value) Class A common stock may be issued as a patronage distribution or in exchange for a like number of shares of Class C common stock when the holder has fully retired their loan or loans with the Association and has not had a borrowing relationship with the Association for two years. Class A common stock may be converted to Class C common stock if the holder becomes a borrower eligible to own Class C common stock, and to Class F participation certificates if the holder becomes a borrower eligible to own Class F participation certificates.

Class C Common Stock: (voting, at-risk, 2,082,711 shares outstanding, $5 par value) Each owner of Class C common stock is entitled to a single vote. Other classes of borrower equities do not provide voting rights to their owners. Voting stock may not be transferred to another person unless such person is eligible to hold voting stock.

Class D Common Stock: (nonvoting, at-risk, no shares outstanding, $1,000 par value) Class D common stock may be issued to CoBank or to any person through direct sale.

Class F Participation Certificates: (nonvoting, at-risk, 38,060 shares outstanding, $5 par value) Class F participation certificates may be issued or transferred to rural residents, persons furnishing farm-related services, or to other persons eligible to borrow for the purpose of qualifying for services offered by the Association who are not eligible to hold Class C common stock.

Class H Preferred Stock: (limited voting, at-risk, no shares outstanding, $1 par value) Class H preferred stock may be issued to, and may be acquired by, members and equity holders who, at the time of such issuance or acquisition, hold any class of common stock or participation certificates. Class H preferred stock is transferable only to another holder of Class H preferred stock, and then only after the transferor provides written notice to the Association in a form prescribed by the Association's Board. The holders of H stock are limited to voting on matters that would affect any preference accorded to the H stock and any amendments that would authorize a new class of preferred stock. Each holder of H stock is entitled to receive dividends in an amount equal to a specified percentage (dividend rate) as declared by the Board of Directors. The dividend rate is a per annum rate that may change monthly at the discretion of the Board but is limited to 8.0% per annum. Dividends accrue daily and will accumulate until declared and paid in the form of additional shares of H stock. H stock is redeemable at par plus cumulative unpaid dividends. Retirement of the stock is at the discretion of the Board. Effective March 31, 2021, the Board approved the redemption and retirement of all outstanding shares of H Stock.

Series A Non-Cumulative Perpetual Preferred Stock: (limited voting, at-risk, 300,000 shares outstanding, $1,000 par value) The issuance carries an annual dividend rate of 5.25% payable quarterly beginning September 15, 2021, until the First Reset Date of June 15, 2026, thereafter, the amount equal to the sum of the Five-Year Treasury Rate as of the most recent Reset Dividend Determination Date plus 4.50%. The issuance will be callable June 15, 2026, and quarterly thereafter. Issuance costs of approximately $6.5 million are included in additional paid-in capital on the Consolidated Statements of Condition.

The Association has the authority to issue other classes of stock, no shares of which are outstanding. The voting rights, duties, and liabilities of such classes of stock are similar to those discussed above. Separately from Class H preferred stock, the Association is authorized to issue other preferred stock with an aggregate par value of up to $900 million outstanding at any one time.

The Series A preferred stock is junior to any subordinated debt, existing and future debt obligations, and to any series of preferred stock the Association may issue in the future with priority rights. Series A preferred stock is senior to outstanding common classes of equity, Class F participation certificates, and patronage equities. The Series A preferred stock has a preference as to dividends and on liquidation or dissolution over all other classes of equities. After the retirement of stock, any remaining assets will be distributed to holders of allocated surplus as evidenced by nonqualified written notices of allocation. Any assets remaining after such distribution will be shared pro rata on a patronage basis by all common stock and certificate holders of record immediately before the liquidation distribution.

E. PATRONAGE DISTRIBUTIONS

The Association's bylaws provide for the payment of patronage distributions. All patronage distributions to a borrower shall be on a proportionate patronage basis as may be approved by the Association's Board of Directors, consistent with the requirement of Subchapter T of the Internal Revenue Code.

The Association's Board of Directors adopted a resolution establishing the distribution of 2022 patronage-sourced net earnings. The resolution established the cash patronage in the amount of 1.0% of the Association's borrowers' average daily loan balances and 0.85% on purchased participations. Cash patronage of $185.7 million will be distributed to qualified patrons in 2023. This amount was recognized as a liability on the Association's Consolidated Statements of Condition at December 31, 2022.

In December 2022, the Association's Board of Directors adopted an Obligating Resolution to distribute 2023 patronage-sourced earnings to patrons of the Association, contingent upon the Association maintaining certain capital criteria.

Cash patronage of $162.9 million and $142.0 million was declared on the Association's patronage-sourced earnings for 2021 and 2020, respectively. These amounts were recognized as a liability on the Association's balance sheet at December 31 in the year they were declared and paid in the first quarter of the following year. Cash patronage represented 1.0% of the Association's borrowers' average daily loan balances and 0.85% on purchased participations for both 2021 and 2020.

F. UNALLOCATED RETAINED SURPLUS

Net income can be distributed annually in the form of cash or allocated retained earnings; it may also be retained as unallocated retained earnings. Thus, unallocated retained earnings include patronage-sourced net income that is retained each year. The Board of Directors must approve any use of unallocated retained earnings.

G. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The Association reports accumulated other comprehensive income/(loss) in its Consolidated Statements of Condition and Consolidated Statements of Changes in Shareholders' Equity. As more fully described in Note 12, other comprehensive income/(loss) results from the recognition of the Restoration Plan's net unamortized gains and (losses) and prior service costs or credits of $2.3 million, $1.5 million, and $(6.3) million in 2022, 2021, and 2020, respectively. There were no other items affecting comprehensive income or loss.

NOTE 10 – PATRONAGE INCOME FROM SYSTEM INSTITUTIONS

Patronage income recognized from Farm Credit institutions to the Association is presented in the following table:

Year Ended December 31	2022	2021	2020
CoBank	$90,009	$79,023	$61,050
AgDirect, LLP	3,111	2,140	1,925
Other Farm Credit institutions	33,806	30,957	25,763
FCS Insurance Exchange	511	344	561
Total	**$127,437**	**$112,464**	**$89,299**

Patronage distributed from CoBank is received in cash and stock. All other patronage is received in cash.

NOTE 11 – INCOME TAXES

The provision for income taxes is as follows:

Year Ended December 31	2022	2021	2020
Current federal tax provision	$14	$–	$–
Current state tax provision	5	2	2
Total provision for income taxes	**$19**	**$2**	**$2**

The following table quantifies the differences between the provision for income taxes and the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income of the Association.

Year Ended December 31	2022	2021	2020
Federal tax at statutory rate	$75,329	$73,714	$51,939
State tax, net	5	2	2
Tax-exempt FLCA income	(62,961)	(66,193)	(45,667)
Cash patronage distributions paid	(13,828)	(7,327)	(7,550)
Change in deferred tax valuation allowance	1,453	(197)	1,274
Other	21	3	4
Provision for income taxes	**$19**	**$2**	**$2**

Deferred tax assets and liabilities result from the following:

Year Ended December 31	2022	2021	2020
Gross deferred tax assets:			
Allowance for loan losses	$5,858	$4,600	$3,494
Deferred loan fees	1,808	1,857	2,082
Nonaccrual loan interest	1,657	892	1,049
Gross deferred tax asset	9,323	7,349	6,625
Gross deferred tax liabilities:			
Mineral depletion	(51)	(50)	(49)
Accrued CoBank patronage	(5,069)	(4,548)	(3,628)
Net deferred tax asset before valuation allowance	4,203	2,751	2,948
Deferred tax asset valuation allowance	(4,203)	(2,751)	(2,948)
Net deferred tax asset	**$–**	**$–**	**$–**

The calculation of deferred tax assets and liabilities involves various management estimates and assumptions as to future taxable earnings, including the amount of non-patronage income and patronage income retained. The expected future tax rates are based on enacted tax laws.

The Association had a valuation allowance of $4.2 million in 2022, $2.8 million in 2021, and $2.9 million in 2020. The Association will continue to evaluate the likely realization of deferred tax assets and adjust the valuation allowance accordingly.

The Association had no uncertain tax positions to be recognized as of December 31, 2022, 2021, or 2020.

The Association recognizes interest and penalties related to unrecognized tax benefits as an adjustment to income tax expense. There were no interest or penalties recognized in 2022, 2021, or 2020. The tax years that remain open for federal and major state income tax jurisdictions are 2019 and forward.

NOTE 12 – EMPLOYEE BENEFIT PLANS

Certain employees participate in the Ninth and Eleventh Retirement Plans, which are multi-employer defined benefit retirement plans. The Department of Labor has determined the plans to be governmental plans; therefore, the plans are not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plans are not subject to ERISA, the plans' benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plans' termination is contingent on the sufficiency of the plans' net assets to provide benefits at that time. The plans are noncontributory and cover eligible employees. The assets, liabilities, and costs of the plans are not segregated by participating entities. As such, plan assets are available for any of the participating employers' retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if the Association chooses to stop participating in the plan, it may be required to pay an amount based on the underfunded status of the plan, referred to as a withdrawal liability. Because of the multi-employer nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee moves to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of these plans.

The defined benefit pension plans reflect an unfunded liability totaling $9.6 million for the Ninth Plan and $1.8 million for the Eleventh Plan at December 31, 2022. The pension benefits funding status reflects the net of the fair value of the plan assets and the projected benefit obligation at the date of these consolidated financial statements. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date, based on assumed future compensation levels.

The projected benefit obligation and fair value of the multi-employer plan assets at December 31 are as follows:

December 31 (in millions)	2022	2021	2020
Projected benefit obligation:			
Ninth Plan	$271.9	$347.3	$359.9
Eleventh Plan	$238.6	$298.8	$318.4
Fair value of plan assets:			
Ninth Plan	$281.5	$341.9	$302.5
Eleventh Plan	$236.8	$291.1	$271.7

The amount of the pension benefits funding status is subject to many variables, including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. The Association recognizes its proportional share of expense and contributes a proportional share of funding.

Costs and contributions for the multi-employer plans at December 31 are as follows:

December 31 (in millions)	2022	2021	2020
Total plan expenses for all participating employers:			
Ninth Plan	$8.1	$13.7	$19.5
Eleventh Plan	$(1.5)	$(1.3)	$1.3
The Association's allocated share of plan expenses included in salaries and benefits:			
Ninth Plan	$2.2	$3.8	$5.5
Eleventh Plan	$(0.5)	$(0.5)	$0.5
Total plan contributions for all participating employers:			
Ninth Plan	$30.0	$30.0	$30.0
Eleventh Plan	$23.0	$23.0	$23.0
The Association's allocated share of plan contributions:			
Ninth Plan	$8.7	$8.7	$8.7
Eleventh Plan	$9.1	$9.0	$9.0

While the plans are governmental plans and are not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plans with sufficient assets to meet the benefits to be paid to participants. The amount of the total employer contributions expected to be paid into the Pension Plans during 2023 is $5.5 million. The Association's allocated share of these pension contributions is expected to be $1.5 million. The amount ultimately to be contributed and the amount ultimately recognized as expense, as well as the timing of those contributions and expenses, are subject to many variables, including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than anticipated.

Postretirement benefits other than pensions are provided through the Farm Credit Foundations Retiree Medical Plan to eligible current and retired employees of the Association. Benefits provided are determined on a graduated scale based on years of service. The anticipated costs of these benefits were accrued during the period of the employee's active service. Postretirement benefits (primarily health care benefits) included in salaries and employee benefits were $42 thousand for 2022, $41 thousand for 2021, and $23 thousand for 2020. These expenses are equal to the Association's cash contributions for each year.

The Association participates in a nonqualified defined benefit Restoration Plan that is unfunded. The plan provides retirement benefits above the Internal Revenue Code compensation limit to certain highly compensated eligible employees. Benefits payable under the Restoration Plan are offset by the benefits payable from the Pension Plans. Restoration Plan expenses included in salaries and employee benefits were $5.3 million for 2022, $5.6 million for 2021, and $4.6 million for 2020. The Restoration Plan experienced a current year net actuarial loss due to decreases in the discount rates utilized and other factors such as employee salaries and retirement rates.

The funded status and the amounts recognized in other liabilities in the Consolidated Statements of Condition for the Association's Restoration Plan are as follows:

Nonqualified Restoration Plan	2022	2021	2020
Change in benefit obligation:			
Benefit obligation at beginning of the period	$40,445	$38,059	$29,642
Service cost	318	433	905
Interest cost	736	473	674
Net actuarial loss	1,881	3,132	9,323
Benefits paid	(2,188)	(1,652)	(2,485)
Benefit obligation at December 31	**$41,192**	**$40,445**	**$38,059**
Amounts recognized in other liabilities in the Consolidated Statements of Condition consist of:			
Projected benefit obligation	$41,192	$40,445	$38,059

The following table represents the amounts included in accumulated other comprehensive income (AOCI)/loss for the Restoration Plan:

December 31	2022	2021	2020
Net actuarial loss	$16,796	$19,121	$20,588
Total amount recognized in AOCI/loss	**$16,796**	**$19,121**	**$20,588**

Information for pension plans with an accumulated benefit obligation in excess of plan assets for the Restoration Plan at December 31 was as follows:

December 31	2022	2021	2020
Accumulated benefit obligation	$38,305	$39,153	$35,794
Fair value of plan assets	N/A	N/A	N/A

Information for pension plans with a projected benefit obligation in excess of plan assets for the Restoration Plan at December 31 was as follows:

December 31	2022	2021	2020
Projected benefit obligation	41,192	$40,445	$38,059
Fair value of plan assets	N/A	N/A	N/A

The net periodic pension expense for the Restoration Plan included in salaries and benefits in the Consolidated Statements of Income is composed of the following at December 31:

Nonqualified Restoration Plan	2022	2021	2020
Components of net periodic benefit cost:			
Service cost	$318	$433	$905
Interest cost	736	473	674
Net amortization and deferral	4,206	4,599	3,002
Net periodic cost	**$5,260**	**$5,505**	**$4,581**

Changes in benefit obligation recognized in accumulated other comprehensive income are included in the following table.

December 31	2022	2021	2020
Current year net actuarial loss/(gain)	$1,881	$3,132	$9,323
Amortization of net actuarial (gain)/loss	(4,206)	(4,599)	(3,002)
Total recognized in other comprehensive (income)/loss	**$(2,325)**	**$(1,467)**	**$6,321**

Weighted average assumptions used to determine benefit obligations at December 31 were as follows:

Nonqualified Restoration Plan	2022	2021	2020
Discount rate – Ninth Plan	4.57%	2.14%	1.65%
Discount rate – Eleventh Plan	4.66%	1.54%	1.03%
Rate of compensation increase – Ninth Plan	7.10%	5.40%	5.40%
Rate of compensation increase – Eleventh Plan	6.70%	4.60%	4.60%
Interest crediting rate – Ninth Plan	5.00%	5.00%	5.00%
Interest crediting rate – Eleventh Plan	N/A	N/A	N/A

Weighted average assumptions used to determine net periodic benefit cost for the years ended December 31 were as follows:

Nonqualified Restoration Plan	2022	2021	2020
Discount rate – Ninth Plan	2.14%	2.14%	1.65%
Discount rate – Eleventh Plan	1.54%	1.54%	1.03%
Rate of compensation increase – Ninth Plan	5.40%	5.40%	5.40%
Rate of compensation increase – Eleventh Plan	4.60%	4.60%	4.60%
Interest crediting rate – Ninth Plan	5.00%	5.00%	5.00%
Interest crediting rate – Eleventh Plan	N/A	N/A	N/A

The Association estimates it will contribute $1.2 million to the Restoration Plan in 2023.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	2023	2024	2025	2026	2027	2028-2032
Pension Restoration Benefits	$1,901	$3,014	$2,046	$5,434	$10,023	$30,189

The Association participates in the Farm Credit Foundations Defined Contribution/401(k) Plan. The plan has two components. Employees who do not participate in the Ninth Plan may receive benefits through the employer contribution portion of the Defined Contribution Plan. The Association provides a contribution based on a defined percentage of the employee's salary. Employees may also participate in the employee contribution portion of the Defined Contribution Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions to the 401(k). Employer contributions to the Defined Contribution Plan included in salaries and employee benefits were $10.2 million in 2022, $9.0 million in 2021, and $7.7 million in 2020.

NOTE 13 – RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Association enters into loan transactions with directors of the Association, their immediate families, and other organizations with which such persons may be associated. These loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

The Association has a policy that loans to directors must be maintained at an acceptable or other assets especially mentioned (OAEM) credit classification. If the loan becomes adversely classified, the director's service is terminated at the end of the 15th calendar day thereafter, unless grounds for an exception exist and a written request for an exception is granted.

Loan information to related parties for the years ended December 31 is shown in the f ollowing table:

December 31	2022	2021	2020
Beginning balance	$153,388	$162,636	$127,027
New loans	$178,184	106,270	190,612
Repayments	(159,268)	(112,790)	(154,355)
Loans no longer related parties	(577)	(2,728)	(648)
Ending balance	**$171,727**	**$153,388**	**$162,636**

In the opinion of management, none of these loans outstanding at December 31, 2022, involved more than a normal risk of collectability.

The Association also has business relationships with certain other System entities. The Association paid $584 thousand in 2022, $516 thousand in 2021, and $458 thousand in 2020 to Farm Credit Foundations for human resource services. As of December 31, 2022, the Association's investment in AgDirect was $26.5 million. Income recorded related to AgDirect was $3.1 million in 2022, $2.1 million in 2021, and $1.9 million in 2020.

NOTE 14 – REGULATORY ENFORCEMENT MATTERS

There are no regulatory enforcement actions in effect for the Association.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

The Association has various commitments outstanding and contingent liabilities. Regarding contingent liabilities, there are no actions pending against the Association in which claims for monetary damages are asserted.

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers and to manage their exposure to interest rate risk. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. At December 31, 2022, $5.1 billion of commitments to extend credit were outstanding.

Since many of these commitments and letters of credit are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Consolidated Statements of Condition until funded or drawn upon. The credit risk associated with issuing commitments is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

The Association also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2022, $61.7 million of standby letters of credit were outstanding with a nominal fair value. Outstanding standby letters of credit have expiration dates ranging from 2023 to 2041. The maximum potential amount of future payments the Association is required to make under the guarantees is $61.7 million.

The Association maintains a reserve for unfunded commitments, which reflects management's best estimate of losses inherent in lending commitments made to customers but not yet disbursed on. The reserve totaled $3.9 million, $4.2 million, and $4.5 million at December 31, 2022, 2021, and 2020, respectively.

NOTE 16 – FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value 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. The fair value measurement is not an indication of liquidity. See Note 2 for additional information.

Quoted market prices are generally not available for certain financial instruments, as described in the following. 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.

Assets measured at fair value on a non-recurring basis at December 31 for each of the fair value hierarchy values are summarized in the following table. During the years presented, there were no assets measured at fair value on a non-recurring basis categorized as Level 1 or Level 2.

December 31	Hierarchy Level 3	Total Fair Value
2022:		
Loans	$40,525	$40,525
Other property owned	$4,330	$4,330
2021:		
Loans	$3,272	$3,272
Other property owned	$4,425	$4,425
2020:		
Loans	$1,382	$1,382
Other property owned	$4,425	$4,425

With regard to impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. The Association utilizes appraisals to value these loans and other property owned and takes into account unobservable inputs such as income and expense, comparable sales, replacement cost, and comparability adjustments.

Assets measured at fair value on a recurring basis at December 31 for each of the fair value hierarchy values are summarized in the following table. During the years presented, there were no assets measured at fair value on a recurring basis categorized as Level 2 or Level 3.

December 31	Hierarchy Level 1	Total Fair Value
Assets Held in Nonqualified Benefits Trusts:		
2022	$26,778	$26,778
2021	$27,645	$27,645
2020	$22,044	$22,044

During the three years presented, the Association recorded no transfers in or out of Levels 1, 2, or 3. The Association has no liabilities measured at fair value on a recurring basis for the periods presented.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables present the carrying amounts, estimated fair values, and the level within the fair value hierarchy of the Association's financial instruments not carried at fair value. Receivables and payables due in one year or less, equity securities without readily determinable fair values, and other financial assets or liabilities with no defined or contractual maturities are excluded. There were no significant changes in the valuation techniques during the period ending December 31, 2022.

December 31, 2022	Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets (recorded at amortized cost):			
Loans	$17,382,360	$16,422,139	Level 3
Cash	$58,269	$58,269	Level 1
Financial liabilities (recorded at amortized cost):			
Notes payable to CoBank	$14,769,000	$14,187,817	Level 3
Subordinated debt	$197,757	$157,538	Level 3

December 31, 2021	Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets (recorded at amortized cost):			
Loans	$15,934,730	$15,990,153	Level 3
Cash	$7,946	$7,946	Level 1
Financial liabilities (recorded at amortized cost):			
Notes payable to CoBank	$15.571.210	$13,612,405	Level 3
Subordinated debt	$197,591	$197,410	Level 3

VALUATION TECHNIQUES
As more fully discussed in Note 2, accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following presents a brief summary of the valuation techniques used by the Association for assets and liabilities subject to fair value measurement:

A. Loans: Fair value is estimated by discounting the expected future principal and interest cash flows to present value. The discount rate is a spread over an applicable yield curve, based on interest rates at which similar loans would be made to borrowers with similar credit risk regarding recent loan origination rates and management's estimates of credit risk. Management has no basis to determine whether the estimated fair values presented would be indicative of the assumptions and adjustments that a purchaser of the Association's loans would seek in an actual sale.

Fair value of loans in nonaccrual status is estimated as described above, but cash flows are principal only, meaning no interest cash flows occur, and the maturity date is adjusted to assume resolution occurs within two to three years.

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based on the underlying real estate collateral as the loans are collateral dependent. The fair value measurement process uses appraisals and other market-based information, but in many cases, it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral, and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

B. Assets Held in Nonqualified Benefits Trusts: Assets held in trust funds related to deferred compensation are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Assets held in nonqualified benefits trusts are included in other assets in the Consolidated Statements of Condition.

C. Other Property Owned: Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of other property owned involves the use of appraisals or other market-based information. As a result, these fair value measurements fall within Level 3 of the hierarchy. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

D. Cash: Fair value of cash approximates amortized cost.

E. Notes Payable to CoBank: Fair value is estimated by discounting the future expected principal and interest cash flows to present value. The discount rate is a spread over an applicable yield curve based on current market rates of similar securities with similar maturities and characteristics. The current market rates used were obtained from the Federal Farm Credit Banks Funding Corporation.

F. Subordinated Debt: Fair value is estimated by discounting the future expected principal and interest cash flows to present value. This discount rate is a spread over an applicable yield curve based on expected market rates of similar securities. The expected market rates are derived from current market interest rates and the change in applicable corporate BBB finance spread obtained from an independent third party since the trade date. Management has no basis to determine whether the estimated fair value presented would be indicative of the assumptions and adjustments that a purchaser of the subordinated debt would seek in an actual sale.

NOTE 17 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through March 3, 2023, which is the date the financial statements were available to be issued.

OTHER REGULATORY DISCLOSURE INFORMATION

(UNAUDITED)

FINANCIAL STATEMENTS

The Association will post the annual report and quarterly reports to shareholders on the Association's website, www.AgLoan.com, approximately 40 days after the end of each calendar quarter for the quarterly reports and 75 days after year-end for the annual report. Copies of these reports may be obtained free of charge by contacting American AgCredit at P.O. Box 1120, Santa Rosa, CA 95402, or by calling (800) 800-4865.

DESCRIPTION OF PROPERTY

American AgCredit is headquartered in Santa Rosa, California. The Association owns and leases various facilities throughout the territory, which are described in this annual report.

LEGAL PROCEEDINGS AND ENFORCEMENT ACTIONS

Other than ordinary routine litigation incidental to the business, there are no material legal proceedings pending to which the Association is a party, of which any of its property is the subject, or that involve claims that the Association may be required to satisfy. There are no enforcement actions in effect against the Association.

RELATIONSHIP WITH INDEPENDENT EXTERNAL AUDITORS

There has been no change in independent external auditors and no material disagreements on any matters of accounting principles or financial statement disclosures during the period.

BORROWER PRIVACY

As a customer-owner of this institution, your privacy and the security of your personal information are vital to our continued ability to serve your ongoing credit needs. FCA regulations require that borrower information be held in confidence by Farm Credit institutions, their directors, officers, and employees. FCA regulations specifically restrict Farm Credit institution directors and employees from disclosing information not normally contained in published reports or press releases about the institution or its borrowers or members. These regulations also provide Farm Credit institutions clear guidelines for protecting their borrowers' nonpublic information.

BOARD OVERSIGHT

The Board of Directors ("Board") is comprised of 20 seats, 18 of which are currently filled by 16 stockholder elected directors and two directors appointed by the elected directors. The Board represents the interests of stockholders and is organized into the following committees to carry out Board responsibilities:

AUDIT COMMITTEE

The Audit Committee assists the Board with fulfilling its fiduciary responsibilities. The Committee monitors the Association's financial reporting process and systems of internal controls, and the integrity of the Association's financial statements. The Audit Committee oversees the adequacy of the Association's internal control systems, the scope of the internal audit program, the independence of external auditors, and the process for monitoring compliance with Standards of Conduct.

HUMAN RESOURCES AND COMPENSATION COMMITTEE

The Human Resources and Compensation Committee assists the Board with fulfilling its role to oversee compensation programs and provide comprehensive review and disclosures for those programs. The Committee oversees compensation practices to ensure alignment with long-term performance and provides direction and recommendations for compensation, benefits, and human resource performance management programs.

GOVERNANCE COMMITTEE

The Governance Committee assists the Board with its oversight and evaluation of matters of corporate governance and structure, including the director nomination and election process, Board composition and qualifications, skills and other expertise desired for directors, as well as the evaluation and development of Board performance and processes, director orientation and continuing education, and the independence of directors.

STRATEGY AND RISK COMMITTEE

The Strategy and Risk Committee assists the Board with fulfilling its oversight responsibilities for strategic planning and the enterprise-wide risk management framework of the Association. The Committee collaborates with management on the Association's overall strategy, business objectives, and strategic initiatives and makes recommendations to the Board related to the Association's mission, vision, and risk appetite, reviews ongoing risk assessments of current and emerging risks, and monitors the risk oversight activities of the chartered Board committees.

DIRECTOR INDEPENDENCE

All directors must exercise sound judgment in deciding matters in the Association's interest. All directors are independent from the perspective that no management or staff serves as a Board member. However, as a financial services cooperative, the Association is required by the Farm Credit Act and FCA regulations to have elected directors that have a loan relationship with the Association.

The elected directors, as borrowers, have a vested interest in ensuring the Association remains strong and successful. However, the borrowing relationship could be viewed as having the potential to compromise the independence of an elected director. For this reason, the Board has established independence criteria to ensure that a loan relationship does not compromise the independence of the Board. Annually, in conjunction with the independence analysis and reporting on loans to directors, each director provides financial information and any other documentation and/or assertions needed for the Board to determine the independence of each Board member.

ASSOCIATION DIRECTORS

The following lists the Board of Directors as of December 31, 2022, including each director's business experience during the last five years, as well as current committee assignments.

Joe Alamo, Director
Term Expires: 2026
Committee(s): Executive, Strategy and Risk

Mr. Alamo has been a partner in Alamo Dairy and Alamo Farms since 1997. He currently operates a dairy and farming operation, growing corn, winter forage, alfalfa, and almonds. He is the Turlock Irrigation District Director, the California Farm Water Coalition Director, and past president and current member of the Central Counties Dairy Herd Improvement Association. He is also active with Western United Dairies, the Stanislaus County Farm Bureau, and the Turlock Pentecost Association.

Berry Bortz, Director
Term Expires: 2027
Committee(s): Audit

Mr. Bortz farms in partnership with his family in eastern Pratt, southwest Reno, and southern Wichita counties in Kansas, producing corn, wheat, soybeans, alfalfa, cotton, sorghum, and bermuda. The family has a commercial and registered cow herd and feedlot. He is a partner in Next Gineration, Inc. and Central Kansas Cotton Producers, and Vice Chair of Next Gineration, Inc. which gins cotton for producers in south central Kansas.

Cyril Chappellet, Director
Term Expires: 2025
Committee(s): Governance

Mr. Chappellet is the President, CEO and Chair of Chappellet Vineyard and Winery, a family-owned and operated winemaking and vineyard operation established in 1967. Mr. Chappellet oversees every aspect of the operation from farming and winemaking to finance, personnel, and sales. He also manages a 2,500-acre ranch adjacent to the vineyard property, which is used as a cattle operation.

Randall Doll, Director
Term Expires: 2024
Committee(s): Audit

Mr. Doll is a life long resident of Kansas, and owns Walnut River Ranch, located in the Flint Hills tallgrass prairie region, which contracts row crop, cattle, and native bluestem hay production. He has extended family ranch and farming operations located in Barton, Finney, and Gray counties in Kansas. He is the President and CEO of Capital Partners Group LLC, a training and development firm. He is also President of Doll Real Estate Services LLC, a land development and management firm. Mr. Doll also serves on the board of Farm Credit Council Services. He holds a BA in Business from Wichita State University's Barton School of Business and an MBA from Webster University located in St Louis, Missouri.

Carolyn Dunn, Director
Term Expires: 2026
Committee(s): Governance

Ms. Dunn partners with her husband in their farming operation in St. John, Kansas, consisting of wheat, corn, alfalfa hay, milo, and cow-calf. She is the President of the Port Authority of Stafford County and Strategic Projects Director for Stafford County Economic Development. Both organizations promote economic and agricultural opportunity as well as population growth throughout Stafford County in Kansas.

Marshall Ernst, Director
Term Expires: 2024
Committee(s): Executive, Human Resources and Compensation

Mr. Ernst grew up on a family farm in Wisconsin. He and his spouse own and operate Ernst Herefords, a registered cow/calf business focused on producing breeding stock for the commercial industry. Prior to that, Mr. Ernst spent 30 years in the food industry for several nationally branded food companies. He served as Senior Director of Livestock Operations for the National Western Stock Show in Denver.

George Fontes, Director
Term Expires: 2024
Committee(s): Human Resources and Compensation, Strategy and Risk

Mr. Fontes is a fourth-generation farmer in Salinas California. His family operation has included beef cattle, grain hay production, and vegetable farming. Currently, he owns and operates Fontes Farms LLC, providing farm management, equipment rental, and repair services. He is president and co-owner of Comgro Incorporated, which previously farmed lettuce, broccoli, and mix lettuce. He is the president and board member of the Salinas Basin Water Alliance. He also serves on the board of Farm Credit Foundations.

Gary Harshberger, Chair
Term Expires: 2023
Committee(s): Executive

Mr. Harshberger is a farmer with an operation consisting of dryland and irrigated wheat, corn, milo, and soybeans. He operates Harshberger Enterprises, is president of Double H Farms, Inc., and a member of Harshberger Land, LLC, and 3J2C Farms, LLC, which are involved in farm commodity production. He is Chair of the Trustees of Dodge City Community College.

Kimberly Clauss Jorritsma, Director
Term Expires: 2025
Committee(s): Executive, Governance

Ms. Jorritsma is a third-generation dairy farmer and key member of Clauss Dairy Farms and Sunwest Jersey Dairy management teams in Hilmar, California. Clauss and Sunwest Jersey Dairy Farms are registered Jersey dairies and farming operations that employ over 50 people. She is a co-owner of Hilmar Cheese Company, Inc., and serves on its board of directors. Ms. Jorritsma was the first female chairperson of the National Dairy Board.

Kirvin Knox, PhD, Appointed Director
Term Expires: 2024
Committee(s): Human Resources and Compensation

Dr. Knox resides in Fort Collins, Colorado. He is a retired academic, formerly Dean, College of Agricultural Sciences and Vice Provost for University Outreach at Colorado State University. His business experience is in energy, production agriculture, academic administration, and agriculture research.

Janet Konkel, Director
Term Expires: 2025
Committee(s): Audit

Ms. Konkel and her husband Mike operate a farm south of Kersey, Colorado, growing alfalfa hay and small grains. She worked for the National Western Stock Show in Denver and served for eight years as the Weld County Fair Coordinator in Greeley, Colorado.

Kristin McMenomey, Director
Term Expires: 2027
Committee(s): Human Resources and Compensation

Ms. McMenomey resides in Potter Valley, California. She and her husband, John, farm 200 acres of vineyard property in Potter Valley consisting of chardonnay, sauvignon blanc, merlot, pinot noir, and pinot gris. She is an administrator at Adventist Health Ukiah Valley and has over two decades of government experience in purchasing, information technology, and risk management. Ms. McMenomey served 17 years as a board member of the CSAC Excess Insurance Authority board of directors, including as vice president.

Jason Ochs, Director
Term Expires: 2027
Committee(s): Governance

Mr. Ochs is a member of Plum Creek Farms GP and LLC in Syracuse, Kansas, agricultural entities that produce dryland wheat, sorghum, and corn, and provide custom farming, including harvesting, tillage, planting, and conservation reserve program (CRP) management. Mr. Ochs is the Vice Chair of the Kansas Wheat Commission, the Chair of the Hamilton County Firemen's Relief Board, and member of the Hamilton County Historical Society.

Teresa Reimer, Director
Term Expires: 2023
Committee(s): Human Resources and Compensation

Ms. Reimer resides on a ranch near Kalvesta, Kansas, and is a fifth-generation farmer and rancher. Her cattle operation consists of cow-calf, backgrounding, and finishing, complemented by a dryland farm producing wheat, sorghum, and forages.

Thomas G. Stegman, Appointed Director
Term Expires: 2024
Committee(s): Executive, Audit

Mr. Stegman is retired. He previously served as President and CEO of AgVantis. Prior to that, he served in various information technology management positions at Farm Credit Bank of Wichita, Kansas. Mr. Stegman was raised on a family farm in southwestern Kansas.

Michael Stonebarger, Director
Term Expires: 2027
Committee(s): Human Resources and Compensation

Mr. Stonebarger serves as chief executive for Ghiggeri and Stonebarger Farms, directing the production of sweet corn, green bean, tomato, and cherry operations. He also manages an arm of his family's business, G&J Marketing, a sales firm that has fostered close relationships with large grocery distribution partners and represents sales for approximately 2,500 acres of fresh market sweet corn throughout the West Coast annually.

Charles Talbott, Director
Term Expires: 2025
Committee(s): Governance, Strategy and Risk

Mr. Talbott resides in Palisade, Colorado. His business experience is in tree fruit and wine grape production, and he oversees the overall business and financial performance of the family operations. Mr. Talbott is President and CEO of Talbott Farms, Inc., which serves as the General Partner of both Talbott Land & Property LLLP and Talbott's Mountain Gold LLLP, a grower, packer, processor, and marketer of tree fruits, wine grapes and fresh ciders. Additionally, he is a shareholder in Talbott & Sons LLC, a producer of hard ciders and wines.

Thomas Teixeira, Director
Term Expires: 2023
Committee(s): Audit, Strategy and Risk

Mr. Teixeira is partner-owner of Teixeira and Sons and grows over 9,000 acres of alfalfa, almonds, cantaloupes, honeydew melons, corn, cotton, fresh-market tomatoes, processing tomatoes, parsley, garlic, onions, and wheat. The company operates a tomato transplant greenhouse facility and is part owner in Pacific Ginning LLC, Eagle Valley Ginning LLC, Agritree LLC, and 360 Agri LLC. Pacific Ginning and Valley Ginning are cotton ginning operations and 360 is a custom cotton harvesting company.

COMPENSATION OF DIRECTORS

(UNAUDITED)

It is the Association's policy to reimburse directors for mileage as well as documented business expenses while serving in an official capacity. A copy of the Association's reimbursement policies is available to shareholders upon request.

For 2022, directors were compensated for their services based on annual retainers as follows:

Chair	$100,700
Vice Chair	$85,400
Audit Committee Chair	$90,100
Human Resources and Compensation Committee Chair	$87,450
Governance Committee Chair	$87,450
Committee Vice Chair	$82,150
Director	$79,500

Retainer amounts are adjusted for meeting absences or attendance at meetings in excess of scheduled Board meetings. Directors are also reimbursed for reasonable expenses incurred while serving in an official capacity and are paid a per diem of $500 per calculated travel day. The aggregate amount of compensation and reimbursements for travel, subsistence, and other related expenses for all directors was $2.8 million for 2022, $2.5 million for 2021, and $2.1 million for 2020.

Compensation information for each director who served in 2022 is shown in the following table:

Director	Number of Days Served: Board Meeting Days	Number of Days Served: Other Official Activity Days	Compensation Paid for Service on a Board Committee[3]	Name of Committee(s)	Total Compensation Paid in 2022[4]
Joe Alamo, Vice Chair	9.5	23.5			$103,400
Berry Bortz	9.5	13			84,500
Robert Boynton[1]	3.5	4			53,067
Cyril Chappellet	9.5	10.5			84,500
Randall Doll	9.5	12			85,500
Carolyn Dunn	9.5	7.5			84,500
Marshall Ernst	9.5	12			89,825
George Fontes	9.5	15	$10,600	Strategy and Risk Committee	98,950
Gary Harshberger, Chair	9.5	25		Strategy and Risk Committee	110,700
Kimberly Clauss Jorritsma	9.5	10			91,480
Kirvin Knox	9.5	11.5			86,000
Janet Konkel	9.5	15.5			88,150
Kristin McMenomey	9.5	11			87,087
Jason Ochs	9.5	10			84,500
Teresa Reimer	9.5	13			87,150
Thomas Stegman	9.5	11			92,600
Michael Stonebarger[2]	6	8.5			36,405
Charles Talbott	9.5	20.5	$10,600	Strategy and Risk Committee	98,950
Thomas Teixeira	9.5	17	$10,600	Strategy and Risk Committee	95,450
Total					**$1,642,714**

1. Term ended August 2022.
2. Term began August 2022.
3. Service on one Board Committee is included in annual retainer. Additional compensation is paid for service on a second chartered committee.
4. Total compensation includes retainers and all per diems paid in 2022.

SENIOR OFFICERS

The following lists the senior officers as of December 31, 2022, including each officer's business experience during the last five years.

Curt Hudnutt, Chief Executive Officer

Mr. Hudnutt was hired as Chief Executive Officer on October 19, 2020. He was previously Executive Vice President – Head of Rural Banking for Rabobank, North America. Mr. Hudnutt has over 20 years of agricultural banking experience and has served in a variety of leadership roles, including operations, business development, underwriting, and risk management.

Greg Somerhalder, Chief Operating Officer

Mr. Somerhalder has served as Chief Operating Officer since March 1, 2014. He previously served as Chief Corporate Strategist. He has over 40 years of experience with Farm Credit in many areas of banking, including lending, credit, risk, and strategy. Mr. Somerhalder serves as the Chair of the board of Farm Credit System Associations Captive Insurance Company. He also serves on the board of the Laham Family Foundation.

Rachel Angress, General Counsel

Ms. Angress was promoted to General Counsel in September 2013. She previously served as Deputy General Counsel from 2012. She has over 29 years of legal experience, including years of civil and bankruptcy litigation and general legal representation for many Bay Area financial institutions.

Mike Banks, Chief Credit Officer

Mr. Banks has served as Chief Credit Officer since January 1, 2017. He previously served as Senior Vice President for American AgCredit, leading the Association's Credit Management Department. He has over 28 years of service with the Farm Credit System, primarily focused in various lending and credit functions.

Rich Hollis, Chief People Experience Officer

Mr. Hollis joined American AgCredit as Chief People Experience Officer on March 1, 2021. He brings over 26 years of executive leadership in the agricultural industry. Most recently, Mr. Hollis served as a member of the executive team for The Maschhoffs, the fifth largest pork production company in the U.S., leading the people strategies, environmental and sustainability initiatives, and generational transfer programs. Prior to that, Mr. Hollis led Rabobank's people strategies.

Avery Hudson, Chief Audit Executive

Ms. Hudson joined American AgCredit as the Chief Audit Executive on July 12, 2021. She has worked in accounting, internal and external audit, and risk roles for more than 28 years. Most recently, Ms. Hudson was the North America Head of Audit with Rabobank, and before that, Senior Vice President, Head of Audit and Credit Review, also at Rabobank.

Sarah Kolell, Chief Brand Officer

Ms. Kolell joined American AgCredit on March 22, 2021, as Chief Brand Officer, leading the communications, legislative affairs, marketing, and storytelling functions that connect American AgCredit and our employees with our customers and communities. Prior to joining AAC, she led marketing, communications, and sustainability in senior vice president positions at Rabo AgriFinance.

Sean O'Day, Chief Lending Officer

Mr. O'Day assumed the role of Chief Lending Officer in September 2021. He previously served as Chief Banking Officer for corporate banking. Agribusiness lending and Capital Markets operate under the Corporate Banking umbrella. Prior to assuming the position of Chief Banking Officer, Mr. O'Day served as Senior Vice President-Capital Markets. For the past 30 years, his focus has been in the areas of corporate finance and loan syndications, and he has a total of 43 years of Farm Credit System service.

Paula Olufs, Chief Customer Officer

Ms. Olufs has served as the Chief Customer Officer since February 2020. She leads the centers of excellence for customer experience, business transformation, and product development, uniting the Association around a common vision and strategy for customer experience from the customer's perspective. Prior to her current position she served as the Chief Innovation Officer. She has over 36 years of Farm Credit experience.

Erik Person, Chief Risk Officer

Mr. Person was named Chief Risk Officer on April 1, 2021. He previously served as the Chief Audit Executive and Director of Operational Audit and Risk. Prior to joining the Association, Mr. Person served as the Association's Engagement Manager for its Risk Consulting Services and worked with several other Farm Credit System Institutions through Crowe, a national public accounting firm. Mr. Person has over 21 years of experience within the diversified financial services industry.

Jerry Rose, Chief Strategy and Financial Officer

Mr. Rose was named the Chief Strategy and Financial Officer on January 9, 2023. He previously served as the Association's Chief Strategy Officer and Chief Risk Officer. He has held risk and financial management roles for more than 34 years in the Farm Credit System. He also serves as a member of the Farm Credit Foundations Trust Committee.

Lynn Scherler, Chief Alliance Officer

Mr. Scherler was named Chief Alliance Officer on September 1, 2021. He joined American AgCredit as Chief Lending Officer in October 2017. He previously served as President – Strategic Relationship Division for CoBank; as Interim President and CEO of Farm Credit of Southwest Kansas from October 2015 to March 2016; and a number of other relationship and leadership roles at CoBank. Mr. Scherler has more than 26 years of banking experience, of which more than 21 have been served in the Farm Credit System, with experience in the areas of relationship management, credit, and strategy.

Gary Van Schuyver, Chief Banking Officer

Mr. Van Schuyver was named Chief Banking Officer on September 1, 2021. He previously served as Senior Vice President – Corporate Banking. He has over 36 years of service with the Farm Credit System, primarily focused on corporate finance, loan syndications, and agribusiness lending.

Vern Zander, Chief Financial Officer

Mr. Zander served as Chief Financial Officer from 2012 to January 2023. He is a certified public accountant and was with American AgCredit for 20 years, with a total of 35 years of Farm Credit service. The responsibility for the Association's financial information now resides with the Chief Strategy and Financial Officer.

SENIOR OFFICERS' COMPENSATION

(UNAUDITED)

The Human Resources and Compensation Committee of the Board of Directors (HR & Compensation Committee) follows a comprehensive compensation philosophy where the objectives of the Compensation Plans (Plans) are to:

- Provide market-based compensation through base salary and annual and long-term incentive components that will allow the Association to attract, motivate, and retain superior executive talent;
- Place a portion of total compensation for the executives at risk and contingent upon the Association remaining financially sound and meeting established performance goals; and
- Ensure that long-term financial stability of the Association is emphasized over short-term results and decisions.

The Plans are designed to:

- Reward successful business year results through annual Incentive Compensation Plans (ICP);
- Foster long-term financial stability through the Executive Long-Term Incentive Plan (ELTIP); and
- Significantly contribute to the retention of the Chief Executive Officer (CEO) and other Senior Officers.

The Association maintains the ICP for Senior Officers and employees that rewards performance based on objective criteria. The HR & Compensation Committee annually reviews market information related to the level and mix of salaries, benefits, and incentive plans for the CEO and other Senior Officers. The ICP was revised in 2020 to enhance the alignment of rewards with progress toward the organization's overall strategic initiatives. Certain Senior Officers participated in the ICP and ELTIP. Due to the cooperative business structure of the Association, the Plans do not contain stock-based compensation components. The ICP is administered by the HR & Compensation Committee.

Select Senior Officers may also participate in a supplemental incentive compensation plan. Supplemental incentive compensation plans are administered by the HR & Compensation Committee and include specialized earnings goals.

Certain Senior Officers participate in the Ninth Farm Credit District Pension Plan or the Eleventh Farm Credit District Employee's Retirement Plan (Pension Plans). These plans have been closed to new participants for many years.

SUMMARY COMPENSATION

Compensation earned by the CEO and aggregate compensation of other Senior Officers and highly compensated employees for the years ended December 31, 2022, 2021, and 2020 is disclosed in the following table. Our current Board policy regarding reimbursements for travel, subsistence, and other related expenses states that all employees, including Senior Officers, shall be reimbursed for actual reasonable travel and related expenses that are necessary and that support our business interests. A copy of our travel policy is available to shareholders upon request.

SUMMARY COMPENSATION TABLE[1] (in thousands)

Name of Individual or Number in Group[2]	Year	Salary	Annual Incentive Compensation[3]	Executive Long-Term Incentive Compensation[3]	Change in Pension Value[4]	Deferred/ Perquisites[5]	Other[6]	Total
President and CEO:								
Curt Hudnutt	2022	$625	$826	$449	N/A	$172	$250	$2,322
	2021	$600	$960	$365	N/A	$71	$400	$2,396
	2020	$150	$113	$–	N/A	$12	$100	$375
Byron Enix[7]	2021	$63	$97	$358	$15,580	$116	$262	$16,476
	2020	$756	$520	$756	$1,779	$104	$894	$4,809
Aggregate number of Senior Officers and highly compensated employees (excluding CEO):								
12	2022	$4,389	$5,715	$2,133	$2,186	$1,271	$100	$15,794
15[7]	2021	$4,327	$7,495	$2,519	$4,520	$1,320	$690	$20,871
12	2020	$4,035	$4,901	$782	$2,797	$1,072	$53	$13,640

1. Disclosure of the total compensation paid to any designated senior officer or highly compensated employee is available to our shareholders upon request. Compensation amounts do not include earnings on nonqualified deferred compensation, as such earnings are not considered above-market or preferential.
2. The Senior Officers and highly compensated employees included in the table are those officers defined by FCA regulations Section 619.9310 and Section 620.6.
3. Annual incentive compensation represents amounts earned in the reported fiscal year, which are paid in February of the subsequent year. The annual incentive compensation amounts are calculated based on relevant performance factors for the reported fiscal year. The ELTIP amounts are estimated based on the relevant performance factors included in this plan for the current fiscal year. For 2022, the amounts reflect estimated earned ELTIP as part of the 2020 Plan Term (third year), the 2021 Plan Term (second year), and the 2022 Plan Term (first year) to be finalized and paid out following the end of each Plan Term. The 2020 Plan has been paid out as of February 2023. Each Plan Term consists of three full years.
4. The Change in Pension Value from 2020 to 2021 is primarily due to participant retirements at the beginning of 2021.
5. Represents company contributions to a 401(k) retirement savings plan and nonqualified deferred compensation plan, as well as payment for certain other expenses, such as relocation, certain travel-related costs, wellness benefits, and life insurance benefits.
6. Represents amounts paid pursuant to plans in connection with retirement, severance payments, retirement gratuity, sign on, retention, or discretionary cash bonus payments.
7. Byron Enix, President and CEO, retired on January 31, 2021. Two senior officers also retired on January 31, 2021 and are included in the 2021 numbers. Additional senior officers joined the company during 2021.

The Salary, Annual Incentive Compensation, and Executive Long-Term Incentive Compensation columns of the Summary Compensation Table include all amounts earned during 2022, 2021, and 2020 regardless of whether a portion of such compensation has been deferred by the CEO or other Senior Officers' elections pursuant to the Farm Credit Foundations Defined Contribution/401(k) Plan (Defined Contribution Plan) and/or the Farm Credit Foundations Nonqualified Deferred Compensation Plan (NQDC Plan). Individual compensation for any Senior Officer included here in the aggregate is available to shareholders upon written request.

In addition to base salary, substantially all eligible employees and executives could earn additional compensation under the annual incentive plans, which are plans tied to the overall business performance and to the employee's performance. The annual incentive plans were based on the fiscal year and were designed to motivate employees and executives to exceed annual performance targets established by the Board of Directors. In 2022, performance targets were established using one or more of the following factors: the Association's Performance Score, the Contractual Interbank Performance Agreement Score (CIPA), portfolio credit quality, new money (loan growth), profit margin (spread), direct cost to income, teamwork, speed (processing time), net income, and goals related to data, digital, and talent business initiatives.

The Executive Long-Term Incentive Plan provides targeted long-term awards for Senior Officers if the long-term performance objectives of the Association are met. For each Senior Officer, a long-term incentive award percentage was established and communicated at the beginning of the plan term. The payout of the ELTIP award is three years after the plan commences and is conditioned upon satisfactory performance of the Senior Officer and the Association exceeding certain minimum thresholds related to the CIPA score and income as determined in the plan. Executives that voluntarily terminate employment or do not maintain satisfactory performance forfeit these long-term awards.

The Deferred/Perquisites Compensation column of the Summary Compensation Table is primarily comprised of company contributions to benefit plans, taxable group term life insurance premiums, and long-term disability premiums. In 2022, the Association's employer matching contribution to Curt Hudnutt's account in the Defined Contribution Plan was $18,271 and its contribution to Curt Hudnutt's account in the NQDC Plan to restore the employer match that was limited due to restrictions in the Internal Revenue Code and compensation deferred was $143,879. For 2022, the Association's employer matching and non-elective contributions for the other Senior Officers' accounts in the Defined Contribution Plan were $298,758 and contributions to their accounts in the NQDC Plan were equal to $824,024.

All employees are reimbursed for travel and subsistence expenses incurred when traveling on Association business. A copy of the travel policy is available to shareholders upon written request.

PENSION BENEFITS

The following table shows certain pension benefit information by plan for the CEO and the Senior Officer group, including highly compensated employees, as of December 31, 2022. Curt Hudnutt, CEO, is not eligible to participate in the Pension Plans.

Retirement Plan Table (dollars in thousands)

Name of Individual or Number in Group[1]	Plan Name	Number of Years of Credited Service[2]	Actuarial Present Value of Accumulated Benefits	Payments During Last Fiscal Year[3]
Aggregate Number of Senior Officers and Highly Compensated Employees[4] (excluding the CEO):				
Three	Ninth Farm Credit District Pension Plan or Eleventh Farm Credit District Employees' Retirement Plan	37	$7,765	$–
Three	Former Ninth and Eleventh District Employers Restoration Plan	37	$8,721	$–
Total			**$16,486**	**$–**

1. The Senior Officers and the highly compensated employees included in the pension benefits disclosure are those defined by FCA regulations Section 619.9310 and Section 620.6.
2. For the Pension Plans and the Restoration Plan, this represents an average for the aggregate senior officer and highly compensated employee group.
3. Represents post retirement benefit payments made during the last fiscal year.
4. Three of the 12 Senior Officers and Highly Compensated Employees defined by FCA regulations Section 619.9310 and Section 620.6, are participants in the Pension Plans.

RETIREMENT PLAN OVERVIEW: Certain Senior Officers participate in two defined benefit retirement plans: (1) the Ninth Farm Credit District Pension Plan (Ninth Plan) or the Eleventh Farm Credit District Employees' Retirement Plan (Eleventh Plan), which are qualified defined benefit plans (Pension Plans); and (2) the Former Ninth and Eleventh District Employers Restoration Plan (Restoration Plan), which is a nonqualified retirement plan. Additionally, substantially all employees are eligible to participate in the Farm Credit Foundations Defined Contribution/401(k) Plan (Defined Contribution Plan), which has an employer matching contribution. Certain eligible employees participate in the Farm Credit Foundations Non-qualified Deferred Compensation Plan (NQDC Plan), which allows individuals to defer compensation, and which restores the benefits limited in the Defined Contribution Plan by restrictions in the Internal Revenue Code.

QUALIFIED PENSION PLANS: In general, the Ninth Plan provides participants with a 50% joint-and-survivor annuity benefit at normal retirement that is equal to 1.50% of average monthly compensation during the 60 consecutive months in which an individual receives their highest compensation (High 60) multiplied by their years of benefit service, plus 0.25% of the amount by which the High 60 exceeds covered compensation multiplied by years of benefit service. The benefit is actuarially adjusted if the individual chooses a different form of distribution than a 50% joint-and-survivor annuity, such as a lump sum distribution. The pension valuation was determined using a blended approach assuming half of the benefits would be paid as a lump sum and half as an annuity at the participants earliest unreduced retirement age.

In general, the Eleventh Plan provides participants with a single life annuity benefit at normal retirement that is equal to 1.95% of average monthly compensation during the 60 consecutive months in which an individual receives their highest compensation (High 60) multiplied by years of benefit service. The benefit is actuarially adjusted if the individual chooses a different form of distribution than a single life annuity. The pension valuation was determined using a blended approach assuming 30% of the benefits would be paid as a lump sum and 70% as an annuity at the participants earliest unreduced retirement age.

The Pension Plans pay benefits up to the applicable limits under the Internal Revenue Code.

NONQUALIFIED PENSION RESTORATION PLAN: The Restoration Plan is unfunded and not qualified for tax purposes. Benefits payable under this plan are equal to the excess of the amount that would be payable under the terms of the Pension Plans disregarding the limitations imposed under Internal Revenue Code Sections 401(a)(17) and 415, over the pension actually payable under the Pension Plans. The Restoration Plan also restores any benefits attributable to nonqualified deferred compensation excluded from the benefit determined under the Pension Plans. The Restoration Plan valuation was determined using an assumption that benefits would be paid as a lump sum at the participant's earliest unreduced retirement age.

The Association does not have a supplemental executive retirement program.

YOUNG, BEGINNING, AND SMALL
FARMERS AND RANCHERS PROGRAM (UNAUDITED)

American AgCredit offers Young, Beginning, and Small (YBS) farmers and ranchers opportunities to invest in, build, and support their agribusiness. Through specific, tailored programs designed to meet the credit and related needs of YBS customers and potential customers in our chartered territory, we provide various layers of support throughout this market.

Per FCA regulations, qualified YBS programs serve farmers and ranchers by one or more of the following categories:

Young: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger

Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience

Small: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $250,000 in annual gross sales of agricultural or aquatic products

OUR YBS MISSION

Our mission is to provide credit and related services tailored to the specific needs of the YBS market via the following:

- Support of AgYouth Programs: Interest-free financing to young people for 4-H and Future Farmers of America (FFA) projects
- Host training focused on legacy and business continuity planning for generations of farmers and ranchers: Training provided free of charge for customers
- Support of youth programs in the community: Outreach and sponsorship of ag-related educational activities, such as ag training, exhibits, and other outreach
- Promote YBS program information, including web pages, brochures, and ad slicks: Awareness of programs to support new businesses and encourage young people to get involved in agriculture
- Provide scholarships to college students interested in working in or studying courses related to agriculture
- Offer paid internships: Professional training and paid work experience provided to young professionals interested in learning about opportunities in the agricultural industry, including financing, marketing, and communication

To facilitate credit offerings to this specialized customer base, we support financing programs and use government-guaranteed loan programs. We are actively involved in developing and sponsoring educational opportunities, leadership training, business financial training, and insurance services for YBS farmers and ranchers.

DEMOGRAPHICS

To ensure that these groups are adequately serviced, demographic research known as AgCensus is completed by the U.S. Department of Agriculture every five years, and those demographics are compared to our borrower base. Part of adequately serving these segments is understanding how farming is changing within the Association's lending territory.

The latest data available is from the 2017 AgCensus (released in April 2019). It shows the number of farms within our chartered territory has declined more than 3.2% from 117,380 to 113,656. At the same time, overall farm size (acreage) has increased, marking a trend toward fewer but larger farms. Nationally, the number of young farmers, both primary and co-operators, increased from 2012. In our territory, young farmers comprise about 8.0% of total farm operators. Beginning farm operators comprise 28.0% of the market in our territory, while small farm operators comprise 85.0% of the farms in the market. A few significant changes over the last five years include the following:

- The number of young farm operators did increase, but at the same time the average operator age increased. Farmers older than 65 now outnumber farmers younger than 35 by a 6:1 ratio.
- The number of beginning farmers increased, but the average age of a beginning farmer in 2017 was just over 46.
- The number of small farms increased from 2012. Many of the small farms reported being involved in commodities such as fruits, vegetables, and small livestock.

EXCEPTION PROGRAM

The Association's YBS Exception Program is tailored for those ag businesses that do not meet all underwriting criteria and exhibit higher-than-normal risk factors. The Exception Program offers unique financing criteria and additional benefits. This includes additional business support, education, training, and other incentives, allowing them to strengthen and prosper and, in the process, to develop avenues for the Association to fulfill its mission and serve all fields and levels of agriculture.

YBS ANNUAL QUANTITATIVE TARGETS

As part of our 2022 Marketing Plan, we projected a conservative goal of increasing our new (or refinanced) loans to YBS farmers and ranchers. We attribute our results to the ongoing national trend of increased age of farmers as well as small farmers moving above the gross annual income definition of $250,000. The Association continues to streamline its new loan origination platform and continued outreach efforts.

	Young Farmer	Beginning Farmer	Small Farmer
AAC YBS results	752	1,722	1,834
AAC YBS goals	736	1,834	1,972

Note: Due to regulatory definitions, a farmer may be included in multiple categories as the customer would be included in each category in which the definition was met.

The following table outlines the percentage of loans in the loan portfolio (by number) to young and beginning farmers as of December 31, 2022, compared to the total number of loans in the portfolio.

Category (dollars in thousands)	**Number of Loans**	**Percent of Total Loans**	**Volume Outstanding**	**Percent of Total Volume**
Total loans and commitments outstanding at year-end	19,265	100.0%	$22,600,045	100.0%
Young farmers and ranchers	2,379	12.4%	$1,118,724	5.0%
Beginning farmers and ranchers	5,536	28.7%	$4,019,686	17.8%

The following table provides a breakdown of small-farmer and rancher loans by size as of December 31, 2022.

Number/Volume Outstanding (dollars in thousands)	**$0 - $50.0**	**$50.1 - $100.0**	**$100.1 - $250.0**	**$250.1 and Greater**
Total number of loans and commitments outstanding at year-end	3,520	2,357	4,121	9,267
Total number of loans to small farmers and ranchers	1,729	1,233	1,693	1,686
Percent of loans to small farmers and ranchers	49.12%	52.31%	41.08%	18.19%
Total loan volume outstanding at year-end	$184,674	$179,358	$707,565	$21,628,448
Total loan volume to small farmers and ranchers	$45,694	$94,015	$285,553	$1,405,624
Percent of loan volume to small farmers and ranchers	53.96%	52.42%	40.36%	6.50%

YBS QUALITATIVE GOALS

- Support our customers and other producers through robust mission programs and engagement at the regional and the local level.
- Partner with government agencies, Farm Credit institutions, nonprofits, and private companies that share our mission.
- Showcase the expertise that we have relating to agricultural markets, the broader economy, and specific services available to producers, with the ultimate goal of strengthening their operations.

YBS PROGRAM FUNDING OUTREACH

We believe that all of agriculture benefits by supporting the full spectrum of agricultural efforts. American AgCredit, on its own and through alliance partnership with other Farm Credit associations, sponsors many events and activities to promote Farm Credit and the services offered by the System, and to inform and educate young, beginning, and small farmers. They include a sampling of the following:

California FFA Foundation: American AgCredit partners with CoBank and other Farm Credit Associations in California to support agricultural education by providing rural, urban, and suburban students real-world experiences both inside and outside of the classroom. Events supported in 2022 from a joint contribution of $50,000 included State Leadership Conference, Sacramento Leadership Experience, and integrated leadership development conferences to meet the ever-diversifying student population (more than 75% of the 83,000 members are Latino). Furthermore, American AgCredit provided an additional $25,000 and donated a restored 1952 Chevy truck to the organization, which will be used for a fundraising opportunity. All events were held either in person, virtual, or hybrid and provided speaking and judging opportunities for American AgCredit staff. In addition, American AgCredit provides leadership expertise by serving on the FFA Foundation board of directors.

Young Farmer Leadership Conference: In support of the California Farm Bureau's Young Farmers & Ranchers Program (YF&R), American AgCredit joined with CoBank, Farm Credit West, Fresno Madera Farm Credit, and Colusa-Glenn Farm Credit to sponsor its Annual Leadership Conference. In 2022, the conference was held in person and attended by approximately 120 YF&Rs from across California and neighboring states. Our 2022 sponsorship totaled $10,000.

California Foundation for Ag in the Classroom: American AgCredit partnered with CoBank, Farm Credit West, Fresno Madera Farm Credit, and Yosemite Farm Credit to sponsor this not-for-profit organization dedicated to educating youth throughout California about the importance of agriculture in their daily lives. Contributions totaled $15,000 in 2022, and the program is reviewed annually for future contributions.

Center for Land Based Learning (CLBL): Separately and partnering with CoBank and other Farm Credit associations in California, American AgCredit committed to a multi-year contribution totaling $100,000 to help fund CLBL's new headquarters building and 30-acre farm site, which serves as the base for the California Farm Academy (CFA) and Apprenticeship Program. Its youth programs (FARMS, SLEWS, CFW) also demonstrate a racial diversity of over 75%. Additional contributions of $20,000 allowed CLBL to return its FARMS (Farming, Agriculture, Resources Management for Sustainability) program to high school students across the state back to in-person field days. Separately, American AgCredit provided an additional $20,000 to support the CFA and Apprenticeship Program to increase beginning farmers' credit readiness to support business acumen and growth. This program aims to provide a career pathway for aspiring farm managers through on-the-job training and agricultural education. The CFA Apprenticeship is a registered apprenticeship approved by the State of California that provides a journey worker credential at the end of two years in the occupation of a Beginning Farm Manager. The CFA alumni average age is 30. Of total enrolled, 56% have been male and 44% female. Forty-nine percent are BIPOC and 20% are veterans. American AgCredit offers leadership expertise with an employee serving on the Center for Land Based Learning's board of directors.

The Sonoma County Grapegrowers Foundation: In 2022, the Sonoma County Grapegrowers Foundation launched an inaugural class of its Leadership Academy. The 2022 class had 15 participants from vineyard management companies and wineries throughout Sonoma County. The year-long academy will have eight half-day sessions between February and July with program themes including: overview of Sonoma County agriculture, government, policies, etc.; HR/compliance/regulations/safety overview; communications; conflict resolution; financial literacy and other important topics. Each participant was offered a $1,000 cash stipend for completing the program.

Starlight Elementary School – Culinary Garden & Teaching Kitchen: American AgCredit's $25,000 will support educating youth about sustainable agriculture and the many career opportunities in the agriculture industry. In addition, these dollars go toward supporting the middle and high school Career Technical Education (CTE) program, which provides pathways for job opportunities in the agricultural industry at a young age.

Colorado Farm Bureau (CFB) YF&R Program: This important program gives American AgCredit the opportunity to network with young farmers and ranchers across Colorado. With our support of CFB YF&R, we can attend and present an economic update at the annual event. Supporting Colorado Young Farmers and Ranchers is important to our team and the future of agriculture in Colorado.

Colorado FFA Foundation: Through a comprehensive agricultural education program, the Colorado FFA teaches its members premier leadership skills, personal growth, and career success. American AgCredit closely partners with Colorado FFA, giving $40,000 in 2022 to the Colorado FFA Foundation. Additionally, American AgCredit donated a restored 1952 Chevy truck to the organization that was used for a fundraising opportunity. Our staff is equally committed to supporting the growth and development of youth in agriculture. American AgCredit also offers leadership to the Colorado FFA Foundation with an employee serving on the Colorado FFA Foundation board of directors. We are proud to have continued our support in 2022 with Colorado FFA.

Nevada Junior Livestock Show: The Nevada Junior Livestock Show (NJLS) provides an opportunity for Nevada youth to exhibit their livestock projects. NJLS encourages the growth of sportsmanship, leadership, citizenship, and responsibility in each of the youth exhibitors competing. In 2022, American AgCredit sponsored the show and the champion banners, provided a $2,000 scholarship, and purchased animals at the livestock sale. Total investment for NJLS in 2022 was more than $4,500. Additionally, American AgCredit provides leadership to NJLS with an American AgCredit employee serving on the NJLS board of directors.

Nevada FFA Foundation: The Nevada FFA Foundation promotes agriculture education and career and technical education in the state of Nevada, while providing financial resources for agriculture education programs that support students to develop leadership, personal growth, and career success. In 2022, American AgCredit supported Nevada FFA through a $1,000 student scholarship, as well as sponsorship of the Nevada Agricultural Youth Legislative Experience, the Nevada State FFA Conference, Sporting Clay Shoot Stations, and an Agricultural Education Student Teacher Scholarship. Total support for the Nevada FFA Foundation in 2022 was more than $22,000. American AgCredit also offers leadership to the Nevada FFA Foundation with an American AgCredit employee serving on the Nevada FFA Foundation board of directors.

Veterans to Farmers: Veterans to Farmers exists to provide resources for men and women in uniform after they return home. Beginning farmer-veterans are trained in agricultural food systems, technologies, and business acumen, with the ultimate goal of leading a sustainable and fulfilling lifestyle. American AgCredit partnered with the Colorado-based Veterans to Farmers in 2022 to jumpstart a grant program providing necessary capital and business training for graduating veterans who aspire to start a farming operation. American AgCredit agreed to provide $100,000 in funding over a two-year period, with initial funding going toward technology access for program participants.

Leadership Foundation of Hawaii: The Leadership Foundation of Hawaii (LFH) offers several programs to support the next generation in agriculture. Of particular interest is its focus on youth programs like 4-H and FFA, providing training and scholarship opportunities. A portion of American AgCredit's $15,000 contribution to LFH helped fund virtual career and mentorship programs.

GoFarm Hawaii: American AgCredit and CoBank have pledged $2 million to support GoFarm Hawaii, a University of Hawaii program that provides business technical assistance, educational opportunities, and access to a suite of resources designed to remove barriers to farming and agribusinesses. In addition, it operates five beginning farmer training sites across four islands and an agricultural technician training program at the Waiawa Correctional Facility. In 2022, American AgCredit pledged an additional $1 million to create a matching grant program to support young, beginning, and small farmers in growing their business operations. American AgCredit is proud to support these valuable programs by providing farmers the tools they need to be successful.

Educating Hawaii's Youth: American AgCredit provided $7,700 to this new endeavor to provide farming supplies and fund its agricultural internship program. The program provides funds to purchase hydroponic farming kits to elementary and high schools on Oahu, as well as providing one internship to work at a farm or ranch in the area. It also funds a teacher agricultural training field trip, which helps keep ag teachers aware of what is going on in the ag community. This program will provide young students with the knowledge of farming and where their food comes from. It is our goal that this will lead to more of Hawaii youth turning to farming and ranching as a career.

Kansas Farm Bureau YF&R Leaders Conference: American AgCredit, as a part of the Farm Credit Associations of Kansas, sponsors the Kansas Farm Bureau YF&R Leaders Conference. The event was held in February 2022 in Manhattan, Kansas, and provided a pivotal opportunity to network with approximately 500 young farmers and ranchers from across the state. This important partnership gives our alliance the opportunity to give comments and present a keynote speaker at the conference.

Kansas FFA Foundation: Serving over 10,000 members in more than 225 high school agriculture education departments in 216 unified school districts across the state, the Kansas FFA Foundation creates a new generation of agriculturists via student experiences in ag education classes. American AgCredit joins the Farm Credit Associations of Kansas in financial support of $15,000. Separately, American AgCredit made a year-end contribution of $25,000 to the Kansas FFA Foundation, bringing our total support to $40,000. In addition to this, American AgCredit donated a restored 1952 Chevy truck to the organization that was used for a fundraising opportunity.

Kansas 4-H Foundation: Serving more than 17,000 members across Kansas, 4-H is focused on youth having fun and learning with their friends to help develop highly effective citizens and leaders within our rural communities. American AgCredit, as a part of the Farm Credit Associations of Kansas, provided financial support amounting to $10,000 in 2022.

Garden City Community College: American AgCredit gave a two-year commitment of $25,000 each year to support the Buster Gardens' STEM project focusing efforts on early stages of hiring instructors, purchasing equipment and supplies, and beginning curriculum development. Three new STEM-based programs will be included in this effort, American AgCredit's support will be focused on the Crop Production Technology program. The purchase of the greenhouse structure will take place during this time. In fall 2022, the Crop Production Technology program was fully implemented with the goal of at least 12 students enrolled in the program. This program will allow year-round, hands-on experiences for students outside of the traditional classroom setting. Students will learn how crops are grown, maintained, and evaluated throughout the growing period – setting a strong foundation for the next generation to enter the agriculture workforce or production agriculture industry.

North American Intercollegiate Dairy Challenge: In partnership with CoBank, Farm Credit West, and Northwest Farm Credit, the Association sponsored this organization, which develops tomorrow's dairy leaders and enhances progress of the dairy industry by providing education, communication, and networking among students, producers, and agribusiness and university personnel. In 2022, a total of $5,000 was provided.

YBS PROGRAM SAFETY AND SOUNDNESS

American AgCredit offers diverse and accessible financing options for qualified farmers and ranchers within our territory. The YBS program provides alternate financing and guarantee options for farmers and ranchers who are just getting started, as well as small or part-time operations. To better serve YBS customers, special lending qualifications and requirements allow young, beginning, and small farmers and ranchers access to financing, leasing, and other services for which they might not otherwise qualify.

Procedures have been established to streamline the delivery of these unique and other small loans utilizing credit scoring through our retail channel delivery system. Loans will continue to be made on a sound basis, with proper emphasis on the fundamentals of sound credit. Loans made under this program meet all our requirements for eligibility and scope of financing, interest rates, and length of term. Co-makers and guarantors (financially responsible family members or other individuals) and secondary collateral are utilized when available and appropriate to minimize risk. Excessively ambitious growth plans are restricted, and loans are closely monitored on a regular basis.

OFFICE LOCATIONS

ADMINISTRATIVE OFFICE 400 Aviation Boulevard, Suite 100 • Santa Rosa, CA 95403 • (800) 800-4865 • AgLoan.com

CALIFORNIA

Alturas
403 E. Highway 395
Alturas, CA 96101
(530) 233-4304

Eureka
5560 S. Broadway Street
Eureka, CA 95503
(707) 445-8871

Merced
711 W. 19th Street
Merced, CA 95340
(209) 384-1050

Oakdale
700 N. Yosemite Avenue
Oakdale, CA 95361
(209) 847-0353

Palm Desert
74199 El Paseo Drive
Suite 101
Palm Desert, CA 92260
(760) 340-5671

Petaluma
1345 Redwood Way
Petaluma, CA 94954
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Roseville
2140 Professional Drive
Suite 110
Roseville, CA 95661
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St. Helena
1101 Vintage Avenue
St. Helena, CA 94574
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924 E. Blanco Road
Salinas, CA 93901
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Stockton
2345 E. Earhart Avenue
Stockton, CA 95206
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Temecula
42429 Winchester Road
Temecula, CA 92590
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Turlock
3201 W. Monte Vista Avenue
Turlock, CA 95380
(209) 667-5101

Ukiah
455 E. Gobbi Street
Ukiah, CA 95482
(707) 462-6531

Yreka
809 4th Street
Yreka, CA 96097
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COLORADO

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6312 S. Fiddlers Green Circle
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Greenwood Village, CO 80111
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850 E. 2nd Avenue
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(970) 259-1540

Grand Junction
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Unit I
Grand Junction, CO 81505
(970) 243-1784

Greeley
4505 W. 29th Street
Greeley, CO 80634
(970) 330-4071

Montrose
1404 Hawk Parkway
Suite 101
Montrose, CO 81401
(970) 249-5274

KANSAS

Concordia
102 E. 9th Street
Concordia, KS 66901
(785) 243-4689

Dodge City
1501 Soule Street
Dodge City, KS 67801
(620) 227-8211

Garden City
1606 E. Kansas Avenue
Garden City, KS 67846
(620) 275-4281

Great Bend
5634 10th Street
Great Bend, KS 67530
(620) 792-2211

Hutchinson
1902 E. 23rd Street
Hutchinson, KS 67502
(620) 663-3305

Liberal
2451 N. Kansas Avenue
Liberal, KS 67901
(620) 624-0171

Pratt
706 S. Main Street
Pratt, KS 67124
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Salina
925 W. Magnolia Road
Salina, KS 67401
(785) 825-4641

Scott City
1422 S. Main Street
Scott City, KS 67871
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Wichita
4105 N. Ridge Road
Wichita, KS 67205
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NEVADA

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978 Commercial Street
Elko, NV 89801
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1440 W. Williams Avenue
Fallon, NV 89406
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Reno
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All owned office buildings and land are pledged to CoBank as collateral for the note payable.

American AgCredit