Helping farmers, ranchers and
rural communities succeed for generations.

2022 ANNUAL REPORT

FCS Financial
Growing Relationships. Creating Opportunities.™
A Farm Credit Cooperative

TABLE OF CONTENTS

FCS Financial, ACA

MESSAGE FROM THE CHAIRPERSON OF THE BOARD AND CHIEF EXECUTIVE OFFICER

FCS Financial
Growing Relationships. Creating Opportunities.™
A FARM CREDIT COOPERATIVE

Dear FCS Financial Member:

As we reflect on 2022, we are very proud of the business results achieved by your Association. FCS Financial continued to fulfill our mission to be the preferred source of financing and related services for Missouri agriculture. For the second consecutive year, the Association achieved double digit average daily balance loan growth while maintaining sound credit quality and a strong financial profile.

These results were accomplished despite an evolving, less favorable interest rate environment. Faced with the highest inflation in more than 40 years, the Federal Reserve aggressively raised the Federal Funds target rate seven times and by 4% during 2022. Collectively the Farm Credit System, including FCS Financial, obtains funds to support lending activities through the sale of debt securities (Farm Credit Notes and Farm Credit Bonds) and accordingly, investors demanded higher returns on their investments thus increasing cost of funding. As a result, our members saw a substantial increase, and more volatility, in interest rates over the course of the year. This was especially impactful on operating loans and new term financing opportunities.

The Association's total assets grew by nearly 10%, mainly driven by a significant loan demand in the first half of the year. In anticipation of higher rates, many of our members moved purchases forward to take advantage of lower rates prior to the anticipated interest rate increases by the Federal Reserve. The latter half of 2022 saw a significant slowdown in lending opportunities along with increasing competitive pressure from commercial banks. However, a significant strength of FCS Financial is the diversity of our loan portfolio. In addition to lending to Missouri agriculture, we continue to actively participate in financing regional and national agribusinesses through our partnerships with other Farm Credit entities and financial institutions. This strategy helps offset specific geographic, commodity, and industry challenges that may occur.

Credit quality remained strong with over 97% of the loan portfolio being rated as fully acceptable. Overall, producers continued to experience a generally positive business environment with favorable prices and good yields despite a significant part of Missouri experiencing some level of drought. Over the past several years, many of our members have been able to rebuild working capital and we believe many producers have adequate financial positions to work through some level of adversity in the future.

The FCS Financial Board and management team remain focused on ensuring that the Association is positioned to weather volatile economic environments. The Association maintains a strong capital position, well in excess of regulatory requirements, and ensures the Association can continue to serve our members into the future and withstand the unexpected losses that may exist in the loan portfolio.

Net income for 2022 was in excess of $111 million. After reviewing the Association's financial and operational condition, the Board of Directors declared a patronage distribution from 2022 earnings of $39.5 million, or approximately 1% on average customer borrowings from FCS Financial. Including this year's patronage, FCS Financial has returned over $250 million to our members since 2006. We believe a consistent patronage program is a key part of the value proposition to our members and is especially valuable in this higher interest rate environment.

As noted in previous Annual Reports, FCS Financial is making significant investments for the future by replacing our front-office and back-office systems with current, state-of-the-art technology. We believe these investments will better allow us to serve our members through more efficient and effective operations and enhancing our capabilities in an increasingly digital world. In 2022, we successfully implemented the first phase of the front-office systems replacement. Although this is a multi-year effort, we believe the Association and our members will see the benefits of these investments very soon.

Over the next several years, the Association will also undergo significant changes in leadership. Several of our senior leaders are nearing retirement age. In early 2022 then CEO, David Janish, announced his retirement for the first quarter 2023. The Board selected Robert (Rob) Guinn to be the next CEO effective January 1, 2023. We anticipate additional retirements over the next several years. However, the succession planning process put in place over the past several years and FCS Financial's reputation as a quality employer will allow us to attract and retain qualified individuals to continue to effectively serve our members.

We remain optimistic about the future of agriculture and our rural communities. The future will not be without its uncertainties and setbacks; however, you can count on FCS Financial to remain a dependable and competitive source of financing and financial services for our members and an active supporter of our industry and our rural communities for years to come.

Thank you for choosing FCS Financial as your financial provider of choice and we look forward to a prosperous 2023.

Sincerely,

Kenneth Bergmann
Chairperson of the Board
FCS Financial, ACA

Robert Guinn
Chief Executive Officer
FCS Financial, ACA

March 10, 2023

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

FCS Financial, ACA

(dollars in thousands)

As of December 31	**2022**	2021	2020	2019	2018
Condensed Statement of Condition Data					
Loans	**$5,983,848**	$5,468,056	$4,867,415	$4,364,514	$4,075,933
Allowance for loan losses	**17,423**	16,854	16,850	17,013	15,966
Net loans	**5,966,425**	5,451,202	4,850,565	4,347,501	4,059,967
Investment in AgriBank, FCB	**166,091**	134,343	110,034	98,909	83,006
Other assets	**148,740**	133,457	119,201	115,802	110,915
Total assets	**$6,281,256**	$5,719,002	$5,079,800	$4,562,212	$4,253,888
Obligations with maturities of one year or less	**$108,077**	$80,737	$64,961	$71,203	$64,580
Obligations with maturities greater than one year	**5,062,214**	4,596,666	4,039,862	3,577,406	3,330,133
Total liabilities	**5,170,291**	4,677,403	4,104,823	3,648,609	3,394,713
Protected members' equity	**3**	4	6	6	8
Capital stock and participation certificates	**12,310**	12,472	12,168	11,901	11,933
Unallocated surplus	**1,098,652**	1,029,123	962,803	901,696	847,234
Total members' equity	**1,110,965**	1,041,599	974,977	913,603	859,175
Total liabilities and members' equity	**$6,281,256**	$5,719,002	$5,079,800	$4,562,212	$4,253,888

For the year ended December 31	**2022**	2021	2020	2019	2018
Condensed Statement of Income Data					
Net interest income	**$139,998**	$122,222	$111,842	$105,350	$99,033
Provision for loan losses	**--**	--	--	2,000	--
Other expenses, net	**28,125**	19,078	20,027	21,381	17,312
Net income	**$111,873**	$103,144	$91,815	$81,969	$81,721
Key Financial Ratios					
For the Year					
Return on average assets	**1.9%**	2.0%	1.9%	1.9%	2.0%
Return on average members' equity	**10.4%**	10.2%	9.7%	9.2%	9.9%
Net interest income as a percentage of average earning assets	**2.5%**	2.4%	2.5%	2.5%	2.6%
Net (recoveries) charge-offs as a percentage of average loans	**(0.0%)**	(0.0%)	0.0%	0.0%	(0.0%)
At Year End					
Members' equity as a percentage of total assets	**17.7%**	18.2%	19.2%	20.0%	20.2%
Allowance for loan losses as a percentage of loans	**0.3%**	0.3%	0.3%	0.4%	0.4%
Common equity tier 1 ratio	**15.4%**	16.4%	17.4%	18.0%	18.4%
Tier 1 capital ratio	**15.4%**	16.4%	17.4%	18.0%	18.4%
Total capital ratio	**15.6%**	16.7%	17.7%	18.4%	18.8%
Permanent capital ratio	**15.4%**	16.4%	17.4%	18.1%	18.5%
Tier 1 leverage ratio	**16.4%**	17.3%	18.3%	19.1%	19.3%
Net Income Distributed					
For the Year					
Patronage distributions:					
Cash	**$36,728**	$30,704	$27,507	$24,007	$21,756

MANAGEMENT'S DISCUSSION AND ANALYSIS

FCS Financial, ACA

The following commentary reviews the consolidated financial condition and consolidated results of operations of FCS Financial, ACA (the Association) and its subsidiaries, FCS Financial, FLCA and FCS Financial, PCA and provides additional specific information. The accompanying Consolidated Financial Statements and Notes to the Consolidated Financial Statements also contain important information about our financial condition and results of operations.

The Farm Credit System (System) is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2023, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 61 borrower-owned cooperative lending institutions (associations). The System serves all 50 states, Washington D.C., and Puerto Rico. This network of financial cooperatives is owned and governed by the rural customers the System serves.

AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). We are an association in the District.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System. The Farm Credit System Insurance Corporation (FCSIC) administers the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

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

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Our Annual Report is available on our website no later than 75 days after the end of the calendar year and members are provided a copy of such report no later than 90 days after the end of the calendar year. The Quarterly Reports are available on our website no later than 40 days after the end of each calendar quarter. To request free copies of our Annual or Quarterly Reports, contact us as stated above.

FORWARD-LOOKING INFORMATION

This Annual Report includes forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipate", "believe", "estimate", "may", "expect", "intend", "outlook", and similar expressions are used to identify such forward-looking statements. These statements reflect our current views with respect to future events. However, actual results may differ materially from our expectations due to a number of risks and uncertainties which may be beyond our control. The information in this report is based on current knowledge and is subject to many risks and uncertainties including, but not limited to:

- political (including trade policies, environmental policies, and civil unrest), legal, regulatory, financial markets, and economic conditions, or other conditions and developments in the United States (U.S.) and abroad
- length and severity of an epidemic or pandemic
- economic fluctuations in the agricultural, international, rural, and farm-related business sectors
- weather-related, disease, and other adverse climatic or biological conditions that periodically occur and can impact agricultural productivity and income
- changes in U.S. government support of the agricultural industry (including government support payments) and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government, other government-sponsored enterprises, and other financial institutions
- actions taken by the Federal Reserve System in implementing monetary policy
- cybersecurity risks, including a failure or breach of our operational or security systems or infrastructure, or those of our third-party vendors or other service providers
- credit, interest rate, and liquidity risks inherent in our lending activities
- disruptive technologies impacting the banking and financial services industries or implemented by our competitors which negatively impact our ability to compete in the marketplace
- changes in our assumptions for determining the allowance for credit losses and fair value measurements
- industry outlooks for agricultural conditions
- changes in interest rate indices utilized in our lending

AGRICULTURAL AND ECONOMIC CONDITIONS

The 2022 crop season concluded with generally satisfactory results for Missouri. Per the United States Department of Agriculture (USDA) Missouri Crop Production report, corn yield is estimated at 154 bushels per acre, down 5 bushels per acre or 3.1% compared to 2021 results. Soybean yield is forecast at 48 bushels per acre, down 1 bushel or 2.0% from 2021. Total soybean production is up 5.0% from 2021 due to an increase in planted acres.

Grain prices remain strong with corn and soybean prices reporting a 15.0% increase compared to one year ago. However, current market year exports are behind the prior year period impacted by the strength of the U.S. dollar reducing competitiveness of U.S. grains in the world market. The USDA lowered its 2022/2023 U.S. corn outlook due to availability from other global exporters.

Cattle prices remain strong as prices for stocker and feeder animals have exceeded prices for the same period last year and five years ago. The feeder cattle market has been supported by strong slaughter cattle prices and export demand. Through October 2022, the total value of beef exports was 17.0% higher compared to 2021. Concerns remain over reduced beef cow inventory and high culling rates due to drought conditions in the United States. Drought conditions have lessened in some areas, although conditions persist in the Upper Midwest and Western United States. High grain prices continue to impact profit margins for the beef sector.

Net farm income is forecasted to increase 13.8% from 2021 to $160.5 billion for calendar year 2022. If realized, net farm income would be at its highest level since 1973 based on inflation adjusted dollars. Increased prices have offset higher 2022 input costs. The USDA forecast for 2023 crop production costs project a modest reduction compared to 2022.

Farmland values in the Association's territory remain on a positive trend with strong demand for quality cropland and pastureland. There were fewer sales reported during the fourth quarter compared to prior years. Rising interest rates and the impact of higher input costs have not impacted farmland demand or price. The value of wooded and recreational properties has been stable to increasing based on proximity to larger population centers.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $6.0 billion as of December 31, 2022, an increase of $515.8 million from December 31, 2021.

Components of Loans

(in thousands)

As of December 31	**2022**	2021	2020
Accrual loans:			
Real estate mortgage	**$3,569,782**	$3,355,702	$2,919,864
Production and intermediate-term	**686,940**	700,125	649,729
Agribusiness	**1,250,692**	1,028,028	964,336
Other	**462,616**	372,801	318,558
Nonaccrual loans	**13,818**	11,400	14,928
Total loans	**$5,983,848**	$5,468,056	$4,867,415

The other category is primarily composed of rural infrastructure related loans and other diversified industries in our capital markets portfolio.

The increase in total loans from December 31, 2021, was primarily due to continued demand for mortgage loans within the Association's territory along with growth in our agribusiness portfolio.

We have sold to AgriBank participation interests in certain loans as part of pool programs. The total outstanding participation interests in these programs were $102.2 million, $95.2 million, and $91.0 million as of December 31, 2022, 2021, and 2020, respectively.

Typically, our production and intermediate-term loan portfolio exhibits some seasonality relating to patterns of operating loans made to crop producers. These loans are normally at their lowest levels following the harvest and then increase in the spring and throughout the rest of the year as borrowers fund operating needs. Borrower tax planning strategies resulted in an increase of production and intermediate-term loans at the end of the year, which are generally followed by sharp pay-downs the following year.

We offer variable, fixed, capped, indexed, and adjustable interest rate loan programs to our borrowers. We also offer leases through Farm Credit Leasing Services Corporation. We determine interest margins charged on each lending program based on cost of funds, credit risk, market conditions, and the need to generate sufficient earnings.

Throughout this Annual Report, there may be references to loan volume which is defined as loan principal plus accrued interest receivable.

Portfolio Distribution

We are chartered to serve 102 counties in Missouri. Approximately 67.3% of our total loan portfolio was in the state of Missouri as of December 31, 2022. The remainder of our portfolio is purchased outside of Missouri to support rural America and to diversify our portfolio risk.

Agricultural Concentrations

As of December 31	**2022**	2021	2020
Cash grains	**34.3%**	35.8%	35.3%
Livestock	**25.0%**	25.8%	26.3%
Agribusiness	**11.8%**	10.2%	10.0%
Poultry and eggs	**6.0%**	6.6%	6.3%
Landlords	**5.5%**	5.7%	5.1%
Rural utilities	**4.4%**	4.2%	4.3%
Other	**13.0%**	11.7%	12.7%
Total	**100.0%**	100.0%	100.0%

Commodities are based on the borrower's primary intended commodity at the time of loan origination and may change due to borrower business decisions as a result of changes in weather, prices, input costs, and other circumstances.

Portfolio Credit Quality

The credit quality of our portfolio improved from December 31, 2021. Adversely classified loans decreased to 1.6% of the portfolio as of December 31, 2022, from 2.0% of the portfolio as of December 31, 2021. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses. Additional credit quality information is included in Note 3 to the accompanying Consolidated Financial Statements.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. As of December 31, 2022, $287.3 million of our loans were substantially guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of December 31	**2022**	2021	2020
Loans:			
Nonaccrual	**$13,818**	$11,400	$14,928
Accruing restructured	**2,531**	1,040	1,508
Accruing loans 90 days or more past due	**--**	--	--
Total risk loans	**16,349**	12,440	16,436
Other property owned	**--**	--	--
Total risk assets	**$16,349**	$12,440	$16,436
Total risk loans as a percentage of total loans	**0.3%**	0.2%	0.3%
Nonaccrual loans as a percentage of total loans	**0.2%**	0.2%	0.3%
Current nonaccrual loans as a percentage of total nonaccrual loans	**70.7%**	93.8%	78.9%
Total delinquencies as a percentage of total loans	**0.2%**	0.1%	0.1%

Note: Accruing loans include accrued interest receivable.

Our risk assets have increased from December 31, 2021, but have remained at acceptable levels. Despite the increase in risk assets, total risk loans as a percentage of total loans were well within our established risk management guidelines.

The increase in nonaccrual loans was primarily due to a capital markets relationship that moved to nonaccrual during the third quarter of 2022. Nonaccrual loans remained at an acceptable level as of December 31, 2022, 2021, and 2020.

Allowance for Loan Losses

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

Allowance Coverage Ratios

As of December 31	**2022**	2021	2020
Allowance as a percentage of:			
Loans	**0.3%**	0.3%	0.3%
Nonaccrual loans	**126.1%**	147.8%	112.9%
Total risk loans	**106.6%**	135.5%	102.5%
Net (recoveries) charge-offs as a percentage of average loans	**(0.0%)**	(0.0%)	0.0%
Adverse assets to capital and allowance for loan losses	**8.7%**	10.4%	14.3%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio as of December 31, 2022.

Effective January 1, 2023, we adopted Accounting Standards Update (ASU) 2016-13 “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (CECL). This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures, and replaced the incurred loss guidance. This framework requires that management’s estimate reflects credit losses over the asset’s remaining expected life and considers expected future changes in macroeconomic conditions. The allowance for credit losses comprises the allowance for credit losses on loans and the allowance for unfunded commitments.

After adoption of this guidance, the allowance for credit losses takes into consideration relevant information about past events, current conditions, and macroeconomic forecasts of future conditions. An economic scenario is considered over a reasonable and supportable forecast period, after which, the framework incorporates historical loss experience. Final loss estimates also consider factors affecting credit losses not reflected in the scenario, due to the unique aspects of current conditions and expectations. These factors may include, but are not limited to, lending policies, portfolio concentrations, regulatory guidance, and/or lags in economic forecast information.

As a result of adoption of this guidance, the allowance for loan losses decreased by $8.7 million and a reserve for unfunded commitments of $1.1 million was recognized. The decrease in the allowance for loan losses is largely due to the requirement of the standard to estimate losses to the assets’ contractual maturities, resulting in a decrease of allowances attributable to our short-term portfolios. Partially offsetting the decline are modest increases in allowance attributable to our long-term real estate portfolios. Additional information related to the adoption of this new guidance is included in Note 2 to the accompanying Consolidated Financial Statements.

Additional loan information is included in Notes 3, 9, 10, and 11 to the accompanying Consolidated Financial Statements.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the year ended December 31	**2022**	2021	2020
Net income	**$111,873**	$103,144	$91,815
Return on average assets	**1.9%**	2.0%	1.9%
Return on average members' equity	**10.4%**	10.2%	9.7%

Changes presented in the profitability information chart relate directly to:

- Changes in income discussed in this section
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Capital Adequacy section

Changes in Significant Components of Net Income

	For the year ended December 31			Increase (decrease) in net income	
(in thousands)	**2022**	2021	2020	**2022 vs 2021**	2021 vs 2020
Net interest income	**$139,998**	$122,222	$111,842	**$17,776**	$10,380
Non-interest income	**41,311**	43,614	35,172	**(2,303)**	8,442
Non-interest expense	**69,276**	62,249	54,808	**(7,027)**	(7,441)
Provision for income taxes	**160**	443	391	**283**	(52)
Net income	**$111,873**	$103,144	$91,815	**$8,729**	$11,329

Net Interest Income

Changes in Net Interest Income

(in thousands)

For the year ended December 31	**2022 vs 2021**	2021 vs 2020
Changes in volume	**$13,031**	$11,941
Changes in interest rates	**5,333**	(2,395)
Changes in nonaccrual income and other	**(588)**	834
Net change	**$17,776**	$10,380

Net interest income included income on nonaccrual loans that totaled $938 thousand, $1.5 million, and $693 thousand in 2022, 2021, and 2020, respectively. Nonaccrual interest income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered.

Net interest margin (net interest income as a percentage of average earning assets) was 2.5%, 2.4%, and 2.5% in 2022, 2021, and 2020, respectively. Our net interest margin is sensitive to interest rate changes and competition.

Non-Interest Expense

Components of Non-interest Expense

(dollars in thousands)

For the year ended December 31	**2022**	2021	2020
Salaries and employee benefits	**$36,404**	$35,326	$32,589
Other operating expense:			
Purchased and vendor services	**11,206**	9,982	8,919
Communications	**778**	800	734
Occupancy and equipment	**4,303**	4,016	3,903
Advertising and promotion	**2,231**	1,791	1,707
Examination	**1,435**	1,280	1,190
Farm Credit System insurance	**9,129**	6,437	3,519
Other	**3,786**	2,616	2,239
Other non-interest expense	**4**	1	8
Total non-interest expense	**$69,276**	$62,249	$54,808
Operating rate	**1.2%**	1.2%	1.2%

The Farm Credit System insurance expense increased in 2022 primarily due to an increase in the Insurance Fund premium rate on Systemwide adjusted insured debt. The premium rate, which is primarily impacted by System growth, was 20 basis points for 2022, compared to 16 basis points for 2021. The FCSIC has announced premiums will be 18 basis points for 2023. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time. See Note 1 for additional information on the Insurance Fund.

FUNDING AND LIQUIDITY

We borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 5 to the accompanying Consolidated Financial Statements. This line of credit is our primary source of liquidity and is used to fund operations and meet current obligations. As of December 31, 2022, we had $2.9 billion available under our line of credit. We generally apply excess cash to this line of credit. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

Note Payable Information

(dollars in thousands) For the year ended December 31	**2022**	2021	2020
Average balance	**$4,762,211**	$4,207,169	$3,755,522
Average interest rate	**2.0%**	1.5%	1.9%

Our average cost of funds is variable and may fluctuate based on the current interest rate environment.

ICE Benchmark Administration (the entity responsible for calculating the London Inter-bank Offer Rate (LIBOR)) ceased the publication of the one-week and two-month USD LIBOR settings immediately following the LIBOR publication on December 31, 2021, and has announced it intends to cease publication of the remaining USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. It is widely anticipated that the Secured Overnight Financing Rate (SOFR) published by the CME group will generally be the fallback to LIBOR.

The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. However, we maintain some exposure to interest rates, including LIBOR, primarily from loans to customers which may not have a component of our line of credit with an exact repricing attribute. With limited exceptions in accordance with FCA guidance, we have ceased issuing new loans indexed to LIBOR and all remaining loans indexed to LIBOR have appropriate fallback language.

The Farm Credit System has established a LIBOR transition workgroup to provide leadership in addressing the LIBOR phase-out across System entities. In coordination with this group, we have developed a comprehensive project plan to address the issues surrounding a transition away from LIBOR. This plan is consistent with regulatory guidance from the FCA, and it incorporates actions to address risk identification and reporting, mitigation strategies, development or adoption of products utilizing alternative reference rates, operational and system impacts, a process for monitoring regulatory and industry developments, as well as communication to stakeholders. While many factors can impact our net interest income, we do not expect a significant impact due to the LIBOR transition at this time.

CAPITAL ADEQUACY

Total members' equity was $1.1 billion, $1.0 billion, and $975.0 million as of December 31, 2022, 2021, and 2020, respectively. Total members' equity increased $69.4 million from December 31, 2021, primarily due to net income for the year partially offset by patronage distribution accruals. Effective January 1, 2023, we adopted the CECL accounting guidance. The adoption of this guidance resulted in a cumulative effect adjustment to equity at January 1, 2023. Refer to Note 2 for additional information regarding the CECL adoption and cumulative effect adjustment to equity.

The FCA Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Effective January 1, 2022, the FCA Regulations slightly modified the calculation of the unallocated retained earnings and equivalents leverage ratio to include certain additional deductions. The modification did not have a material impact on this ratio.

Regulatory Capital Requirements and Ratios

As of December 31	**2022**	2021	2020	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**15.4%**	16.4%	17.4%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**15.4%**	16.4%	17.4%	6.0%	2.5%	8.5%
Total capital ratio	**15.6%**	16.7%	17.7%	8.0%	2.5%	10.5%
Permanent capital ratio	**15.4%**	16.4%	17.4%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**16.4%**	17.3%	18.3%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**16.2%**	18.3%	19.2%	1.5%	N/A	1.5%

Our capital plan is designed to maintain an adequate amount of surplus and allowance for loan losses which represents our reserve for adversity prior to impairment of stock. We manage our capital to allow us to meet member needs and protect member interests, both now and in the future.

Capital ratios are directly impacted by changes in capital, assets, and off-balance sheet commitments. Refer to the Loan Portfolio section for further discussion of the changes in assets. Additional information on regulatory ratios and members' equity information is included in Note 6 to the accompanying Consolidated Financial Statements and information on off-balance sheet commitments is included in Note 10 to the accompanying Consolidated Financial Statements.

In addition to these regulatory requirements, we establish an optimum total capital target. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target is subject to revision as circumstances change. Our optimum total capital target is to remain above 13.5%, as defined in our 2023 capital plan.

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. We do not foresee any events that would result in this prohibition in 2023.

RELATIONSHIP WITH AGRIBANK

Borrowing

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A General Financing Agreement (GFA), as described in Note 5 to the accompanying Consolidated Financial Statements, governs this lending relationship.

The components of cost of funds under the GFA include:

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

In the periods presented, we were not subject to the risk premium component. Certain factors may impact our cost of funds, which primarily include market interest rate changes impacting marginal cost of debt as well as changes to pricing methodologies impacting the spread components described above.

The marginal cost of debt approach simulates matching the cost of underlying debt with similar terms as the anticipated terms of our loans to borrowers. This approach substantially protects us from market interest rate risk. We may occasionally engage in funding strategies that result in limited interest rate risk with approval by AgriBank's Asset/Liability Committee.

Investment

We are required to invest in AgriBank capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing distributed AgriBank surplus. As of December 31, 2022, we were required by AgriBank to maintain an investment equal to 2.55% of the average quarterly balance of our note payable. The required investment increased to 3.0% for 2023.

We are also required to hold additional investment in AgriBank based on contractual agreements under pool programs.

As an AgDirect, LLP association partial owner, we are required to purchase stock in AgDirect, which purchases an equivalent amount of stock in AgriBank.

Patronage

AgriBank's capital plan is intended to provide for adequate capital at AgriBank under capital regulations as well as to create a path to long-term capital optimization within the AgriBank District. The plan optimizes capital at AgriBank; distributing available AgriBank earnings in the form of patronage, either cash or AgriBank stock, which is at the sole discretion of the AgriBank Board of Directors. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of unallocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

Purchased Services

As of December 31, 2022, we purchased certain business services from AgriBank. Until the formation of SunStream Business Services (SunStream) on April 1, 2020, we also purchased financial and retail information technology, collateral, tax reporting, and insurance services from AgriBank. These services are now purchased from SunStream. For further discussion on our relationship with SunStream see the Other Relationships and Programs section. Additional related party information is included in Note 9 to the accompanying Consolidated Financial Statements.

Impact on Members' Investment

Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially impact our members' investment.

OTHER RELATIONSHIPS AND PROGRAMS

Relationships with Other Farm Credit Institutions

Capital Markets Group: We participate in the Capital Markets Group (CMG) with two other AgriBank District associations. The CMG focuses on generating revenue and loan volume for the financial benefit of all three participating associations. Management for each association has direct decision-making authority over the loans purchased and serviced for their respective association. The business arrangement provides additional means for diversifying each participant's portfolio, helps reduce concentration risk, and positions the participants for continued growth.

Agri-Access: We participate in the Agri-Access pool program which focuses on providing financing for agricultural real estate loans and leases through a network of non-Farm Credit lenders across the United States. The program is facilitated by another AgriBank District association where all loans and leases in the program are originated and serviced. We pay the facilitating association fees to originate and service the loans. We sell to AgriBank our entire interest in the loans associated with Agri-Access. As part of this program we receive patronage income at the sole discretion of the AgriBank Board of Directors.

CentRic Technology Collaboration: We participate in CentRic Technology Collaboration (CTC) with certain other AgriBank District associations. The CTC facilitates the development and maintenance of certain retail technology systems essential to providing credit and other services to our members. The CTC operations are governed by representatives of each participating association. The expenses of CTC are allocated to each of the participating associations based on an agreed upon formula. The systems developed are owned by each of the participating associations.

Farm Credit Leasing Services Corporation: We have an agreement with Farm Credit Leasing Services Corporation (FCL), a System service corporation, which specializes in leasing products and provides industry expertise. Leases are originated and serviced by FCL and we purchase a participation interest in the cash flows of the transaction. This arrangement provides our members with a broad selection of product offerings and enhanced lease expertise.

CoBank, ACB: We have a relationship with CoBank, ACB (CoBank), a System bank, which involves purchasing and selling participation interests in loans. As part of this relationship, our equity investment in CoBank was $355 thousand as of December 31, 2022, 2021, and 2020, respectively.

SunStream Business Services: We have a relationship with SunStream, which involves purchasing financial and retail information technology, collateral, tax reporting, and insurance services. SunStream was a division of AgriBank prior to April 1, 2020, when SunStream formed a separate System service corporation of which we are a partial owner. As of December 31, 2022, 2021, and 2020, our investment in SunStream was $1.9 million. Additional related party information is included in Note 9 to the accompanying Consolidated Financial Statements. We also guarantee the amounts borrowed by SunStream on their line of credit with AgriBank, up to $40.0 million. Refer to Note 10 to the accompanying Consolidated Financial Statements for further disclosure.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations), a System service corporation, which involves purchasing human resource, benefit, payroll, and workforce management services. As of December 31, 2022, 2021, and 2020, our investment in Foundations was $32 thousand. Additional related party information is included in Note 9 to the accompanying Consolidated Financial Statements.

Unincorporated Business Entities (UBEs)

In certain circumstances we may establish separate entities to acquire and manage complex collateral, primarily for legal liability purposes.

AgDirect, LLP: We participate in the AgDirect trade credit financing program, which includes origination and refinancing of agriculture equipment loans through independent equipment dealers. The program is facilitated by another AgriBank District association through a limited liability partnership in which we are a partial owner. Our investment in AgDirect, LLP, was $17.1 million, $14.3 million, and $9.8 million as of December 31, 2022, 2021, and 2020, respectively. We also receive a partnership distribution resulting from our participation in the program, which is included in "Patronage income" in the Consolidated Statements of Income.

Programs

We are involved in the following programs designed to improve our credit delivery, related services, and marketplace presence.

AgDirect: We participate in the AgDirect trade credit financing program. Refer to the UBEs section for further discussion on this program.

Farm Cash Management: We offer Farm Cash Management to our members. Farm Cash Management links members' revolving lines of credit with an AgriBank investment bond to optimize members' use of funds.

REPORT OF MANAGEMENT

FCS Financial, ACA

We prepare the Consolidated Financial Statements of FCS Financial, ACA (the Association) and are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Consolidated Financial Statements, in our opinion, fairly present the financial condition of the Association. Other financial information included in the Annual Report is consistent with that in the Consolidated Financial Statements.

To meet our responsibility for reliable financial information we depend on accounting and internal control systems designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the Consolidated Financial Statements. They also consider internal controls to the extent necessary to design audit procedures that comply with auditing standards generally accepted in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consults regularly with us and meets periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is composed solely of directors who are not officers or employees of the Association.

The undersigned certify we have reviewed the Association's Annual Report, which has been prepared in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Kenneth Bergmann
Chairperson of the Board
FCS Financial, ACA

Robert Guinn
Chief Executive Officer
FCS Financial, ACA

Starla Harper
Chief Financial Officer
FCS Financial, ACA

March 10, 2023

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

FCS Financial, ACA

The FCS Financial, ACA (the Association) principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining effective internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America 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 and correction, of unauthorized acquisition, use, or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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 2013 framework in *Internal Control — Integrated Framework*, 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 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 determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2022.

Robert Guinn
Chief Executive Officer
FCS Financial, ACA

Starla Harper
Chief Financial Officer
FCS Financial, ACA

March 10, 2023

REPORT OF AUDIT COMMITTEE

FCS Financial, ACA

The Consolidated Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of a subset of the Board of Directors of FCS Financial, ACA (the Association). The Audit Committee oversees the scope of the Association's internal audit program, the approval and independence of PricewaterhouseCoopers LLP (PwC) as independent 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 Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for 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 Consolidated Financial Statements in accordance with auditing standards generally accepted in the United States of America and to issue their report based on their audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited Consolidated Financial Statements for the year ended December 31, 2022, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards AU-C 260, *The Auditor's Communication with Those Charged with Governance*, and both PwC and the internal auditor directly provided reports on any significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC any other matters and received any assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended the audited Consolidated Financial Statements be included in the Annual Report for the year ended December 31, 2022.

Troy D. Norton
Chairperson of the Audit Committee
FCS Financial, ACA

Andy Kapp
Randy Pace
Don Schlesselman
David Wright

March 10, 2023

Report of Independent Auditors

To the Board of Directors of FCS Financial, ACA:

Opinion

We have audited the accompanying consolidated financial statements of FCS Financial, 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 income, changes in members' 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 (US 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 US 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 US 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.

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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

Minneapolis, Minnesota
March 10, 2023

CONSOLIDATED STATEMENTS OF CONDITION

FCS Financial, ACA

(in thousands)

As of December 31	**2022**	2021	2020
ASSETS			
Loans	**$5,983,848**	$5,468,056	$4,867,415
Allowance for loan losses	**17,423**	16,854	16,850
Net loans	**5,966,425**	5,451,202	4,850,565
Investment in AgriBank, FCB	**166,091**	134,343	110,034
Accrued interest receivable	**60,020**	45,779	44,925
Deferred tax assets, net	**639**	155	431
Other assets	**88,081**	87,523	73,845
Total assets	**$6,281,256**	$5,719,002	$5,079,800
LIABILITIES			
Note payable to AgriBank, FCB	**$5,062,214**	$4,596,666	$4,039,862
Accrued interest payable	**33,768**	15,936	14,745
Patronage distribution payable	**42,446**	36,830	30,710
Other liabilities	**31,863**	27,971	19,506
Total liabilities	**5,170,291**	4,677,403	4,104,823
Contingencies and commitments (Note 10)			
MEMBERS' EQUITY			
Protected members' equity	**3**	4	6
Capital stock and participation certificates	**12,310**	12,472	12,168
Unallocated surplus	**1,098,652**	1,029,123	962,803
Total members' equity	**1,110,965**	1,041,599	974,977
Total liabilities and members' equity	**$6,281,256**	$5,719,002	$5,079,800

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

CONSOLIDATED STATEMENTS OF INCOME

FCS Financial, ACA

(in thousands)

For the year ended December 31	**2022**	2021	2020
Interest income	**$236,146**	$183,704	$184,440
Interest expense	**96,148**	61,482	72,598
Net interest income	**139,998**	122,222	111,842
Provision for loan losses	**--**	--	--
Net interest income after provision for loan losses	**139,998**	122,222	111,842
Non-interest income			
Patronage income	**28,683**	27,465	25,275
Financially related services income	**4,794**	4,610	4,218
Fee income	**7,472**	11,168	4,650
Other non-interest income	**362**	371	1,029
Total non-interest income	**41,311**	43,614	35,172
Non-interest expense			
Salaries and employee benefits	**36,404**	35,326	32,589
Other operating expense	**32,868**	26,922	22,211
Other non-interest expense	**4**	1	8
Total non-interest expense	**69,276**	62,249	54,808
Income before income taxes	**112,033**	103,587	92,206
Provision for income taxes	**160**	443	391
Net income	**$111,873**	$103,144	$91,815

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

FCS Financial, ACA

(in thousands)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance as of December 31, 2019	$6	$11,901	$901,696	$913,603
Net income	--	--	91,815	91,815
Unallocated surplus designated for patronage distributions	--	--	(30,708)	(30,708)
Capital stock and participation certificates issued	--	1,404	--	1,404
Capital stock and participation certificates retired	--	(1,137)	--	(1,137)
Balance as of December 31, 2020	6	12,168	962,803	974,977
Net income	--	--	103,144	103,144
Unallocated surplus designated for patronage distributions	--	--	(36,824)	(36,824)
Capital stock and participation certificates issued	--	1,384	--	1,384
Capital stock and participation certificates retired	(2)	(1,080)	--	(1,082)
Balance as of December 31, 2021	4	12,472	1,029,123	1,041,599
Net income	**--**	**--**	**111,873**	**111,873**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(42,344)**	**(42,344)**
Capital stock and participation certificates issued	**--**	**786**	**--**	**786**
Capital stock and participation certificates retired	**(1)**	**(948)**	**--**	**(949)**
Balance as of December 31, 2022	**$3**	**$12,310**	**$1,098,652**	**$1,110,965**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FCS Financial, ACA

(in thousands)

For the year ended December 31	**2022**	2021	2020
Cash flows from operating activities			
Net income	**$111,873**	$103,144	$91,815
Depreciation on premises and equipment	**1,633**	1,556	1,500
Gain on sale of premises and equipment, net	**(3)**	(8)	(14)
Net amortization of premiums on loans	**22**	265	223
Stock patronage received from AgriBank, FCB	**(19,074)**	(3,607)	--
Changes in operating assets and liabilities:			
(Increase) decrease in accrued interest receivable	**(16,128)**	(3,309)	1,758
Decrease (increase) in other assets	**4,222**	(8,472)	(5,264)
Increase (decrease) in accrued interest payable	**17,832**	1,191	(8,549)
Increase (decrease) in other liabilities	**2,892**	5,113	(1,724)
Net cash provided by operating activities	**103,269**	95,873	79,745
Cash flows from investing activities			
Increase in loans, net	**(512,220)**	(594,522)	(499,449)
Purchases of investment in AgriBank, FCB, net	**(12,674)**	(20,702)	(11,125)
Purchases of investment in other Farm Credit institutions, net	**(2,724)**	(4,552)	(3,034)
Purchases of premises and equipment, net	**(4,170)**	(1,926)	(698)
Net cash used in investing activities	**(531,788)**	(621,702)	(514,306)
Cash flows from financing activities			
Increase in note payable to AgriBank, FCB, net	**465,548**	556,804	462,456
Patronage distributions paid	**(36,728)**	(30,704)	(27,507)
Capital stock and participation certificates retired, net	**(301)**	(271)	(388)
Net cash provided by financing activities	**428,519**	525,829	434,561
Net change in cash	**--**	--	--
Cash at beginning of year	**--**	--	--
Cash at end of year	**$ --**	$ --	$ --
Supplemental information			
Interest paid	**$78,316**	$60,291	$81,147
Taxes paid, net	**269**	511	318

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FCS Financial, ACA

NOTE 1: ORGANIZATION AND OPERATIONS

Farm Credit System and District

The Farm Credit System (System) is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2023, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 61 borrower-owned cooperative lending institutions (associations). AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). The AgriBank District associations consist of local Agricultural Credit Associations (ACA) that each have wholly-owned Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries.

FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate-term loans. ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their subsidiaries. Associations are authorized to provide lease financing options for agricultural purposes and are also authorized to purchase and hold certain types of investments. AgriBank provides funding to all associations chartered within the District.

Associations are authorized to provide, either directly or in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers may include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related service businesses. In addition, associations can participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a System lending institution, but have operations that are functionally similar to the activities of eligible borrowers.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System banks and associations. We are examined by the FCA and certain association actions are subject to the prior approval of the FCA and/or AgriBank.

The Farm Credit System Insurance Corporation (FCSIC) administers the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

At the discretion of the FCSIC, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the FCSIC. Each System bank is required to pay premiums into the Insurance Fund until the assets in the Insurance Fund equal 2.0% of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. This percentage of aggregate obligations can be changed by the FCSIC, at its sole discretion, to a percentage it determines to be actuarially sound. The basis for assessing premiums is debt outstanding with adjustments made for nonaccrual loans and impaired investment securities which are assessed a surcharge while guaranteed loans and investment securities are deductions from the premium base. AgriBank, in turn, assesses premiums to District associations each year based on similar factors.

Association

FCS Financial, ACA (the Association) and its subsidiaries, FCS Financial, FLCA and FCS Financial, PCA (subsidiaries) are lending institutions of the System. We are a borrower-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in 102 counties in the state of Missouri.

We borrow from AgriBank and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries.

We offer credit life, term life, credit disability, crop hail, and multi-peril crop insurance to borrowers and those eligible to borrow. We also offer fee appraisals. In addition, we offer leasing through Farm Credit Leasing Services Corporation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles and Reporting Policies

Our accounting and reporting policies conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Principles of Consolidation

The Consolidated Financial Statements present the consolidated financial results of FCS Financial, ACA and its subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

Significant Accounting Policies

Loans: Loans are carried at their principal amount outstanding net of any unearned income, cumulative charge-offs, unamortized deferred fees and costs on originated loans, and unamortized premiums or discounts on purchased loans. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. The net amount of loan fees and related origination costs are not material to the Consolidated Financial Statements taken as a whole. Throughout this Annual Report, there may be references to loan volume which is defined as loan principal plus accrued interest receivable.

Generally, we place loans in nonaccrual status when principal or interest is delinquent for 90 days or more (unless the loan is adequately secured and in the process of collection) or circumstances indicate that full collection is not expected.

When a loan is placed in nonaccrual status and the interest is determined to be both uncollectible and the loss is known, we reverse current year accrued interest to the extent principal plus accrued interest exceeds the net realizable value of the collateral prior to reclassification. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and certain other criteria are met. In these circumstances interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Nonaccrual loans may be returned to accrual status when principal and interest are current, the customer's ability to fulfill the contractual payment terms is fully expected, and, if the loan was past due when placed in nonaccrual status, the loan has evidence of sustained performance in making on-time contractual payments (typically based on payment frequency).

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring (TDR), also known as a formally restructured loan for regulatory purposes. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as TDRs are considered risk loans (as defined below). There may be modifications made in the normal course of business that would not be considered TDRs.

Loans that are sold as participations are transferred as entire financial assets, groups of entire financial assets, or participating interests in the loans. The transfers of such assets or participating interests are structured such that control over the transferred assets, or participating interests have been surrendered and that all of the conditions have been met to be accounted for as a sale.

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

Loans in our portfolio that are considered impaired are assessed individually to establish a specific allowance. A loan is impaired when it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. We generally measure impairment based on the net realizable value of the collateral. Risk loans include nonaccrual loans, accruing restructured loans, and accruing loans 90 days or more past due. All risk loans are considered to be impaired loans.

We record a specific allowance to reduce the carrying amount of the risk loan by the amount the recorded investment exceeds the net realizable value of collateral. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

We determine the amount of allowance that is required by assessing risk loans individually and all other loans by combining them into groups of loans sharing similar risk characteristics. For loans that are not individually assessed for impairment, an allowance is recorded for probable and estimable credit losses as of the financial statement date, using a two-dimensional loan risk rating model that incorporates a 14-point rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing the loss severity. The combination of estimated default probability and loss severity is the primary basis for recognition and measurement of loan collectability of these pools of loans. These estimated losses may be adjusted for relevant current environmental factors.

Changes in the allowance for loan losses consist of provision activity, recorded in "Provision for loan losses" in the Consolidated Statements of Income, recoveries, and charge-offs.

Investment in AgriBank: Our stock investment in AgriBank is on a cost plus allocated equities basis.

Premises and Equipment: The carrying amount of premises and equipment is at cost, less accumulated depreciation and is included in "Other assets" in the Consolidated Statements of Condition. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets.

Leases: We are the lessee in operating leases. We evaluate arrangements at inception to determine if it is a lease. Leases with an initial term of 12 months or less are not recorded on the Consolidated Statements of Condition with lease expense recognized on a straight-line basis over the lease term. For operating leases with terms greater than 12 months the right-of-use (ROU) assets are included in "Other assets" in the Consolidated Statements of Condition and the lease liabilities are included in "Other liabilities" in the Consolidated Statements of Condition.

The ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. Our lease terms may include options to extend or terminate the lease. The length of the lease term is modified to include the option when it is reasonably certain that we will exercise that option. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

Post-Employment Benefit Plans: The District has various post-employment benefit plans in which our employees participate. Expenses related to these plans are included in “Salaries and employee benefits” in the Consolidated Statements of Income.

Certain employees participate in the AgriBank District Retirement Plan. The plan is comprised of two benefit formulas. At their option, employees hired prior to October 1, 2001, are on the cash balance formula or on the final average pay formula. Benefit eligible employees hired between October 1, 2001, and December 31, 2006, are on the cash balance formula. Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. The AgriBank District Retirement Plan utilizes the "Projected Unit Credit" actuarial method for financial reporting and funding purposes.

We also provide certain health insurance benefits to eligible retired employees according to the terms of those benefit plans. The anticipated cost of these benefits is accrued during the employees’ active service period.

The defined contribution plan allows eligible employees to save for their retirement either pre-tax, post-tax, or both, with an employer match on a percentage of the employee’s contributions. We provide benefits under this plan for those employees that do not participate in the AgriBank District Retirement Plan in the form of a fixed percentage of salary contribution in addition to the employer match. Employer contributions are expensed when incurred.

Certain employees also participate in the Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the Internal Revenue Service (IRS), are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the retirement savings plan if it were not for certain IRS limitations.

Income Taxes: The ACA and PCA accrue federal and state income taxes. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance. The expected future tax consequences of uncertain income tax positions are accrued.

The FLCA is exempt from federal and other taxes to the extent provided in the Farm Credit Act.

Patronage Program: We accrue patronage distributions according to a prescribed formula approved by the Board of Directors. Generally, we pay the accrued patronage during the first quarter after year end.

Off-Balance Sheet Credit Exposures: 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 loan contract. The commitments to extend credit generally have fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Any reserve for unfunded lending commitments and unexercised letters of credit is based on management’s best estimate of losses inherent in these instruments, but the commitments have not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement are utilized in determining a reserve, if needed. Based on our assessment, any reserve would be recorded in “Other liabilities” in the Consolidated Statements of Condition and a corresponding loss would be recorded in “Provision for credit losses” in the Consolidated Statements of Income. However, no such reserve was necessary as of December 31, 2022, 2021, or 2020.

Cash: For purposes of reporting cash flow, cash includes cash on hand.

Fair Value Measurement: The accounting guidance describes three levels of inputs that may be used to measure fair value.

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

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:

- Quoted prices for similar assets or liabilities in active markets
- 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, quoted prices that are not current, or principal market information that is not released publicly
- Inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks, and default rates
- 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 fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity’s own judgments about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is 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.

Recently Issued or Adopted Accounting Pronouncements

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

Standard and effective date	Description	Adoption status and financial statement impact
In March 2020, the FASB issued Accounting Standards Update (ASU) 2020-04 "Reference Rate Reform, Topic 848." In January 2021, the FASB issued ASU 2021-01 further amending Topic 848. This guidance may be elected and applied prospectively over time beginning March 12, 2020. In December 2022, the FASB issued ASU 2022-06 "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848", which deferred the sunset date of Topic 848 to December 31, 2024. After December 31, 2024, entities will no longer be permitted to apply the relief in Topic 848.	The guidance provides optional expedients and exceptions for applying GAAP to contracts and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate.	During March 2021, we adopted this standard. Additionally, we intend to apply the relief granted in the extension. To date, the adoption of this standard has not had a material impact on our financial condition, results of operations, cash flows, and financial statement disclosures.
In June 2016, the FASB issued ASU 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amended the mandatory effective date for this guidance for certain institutions. We qualified for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	We adopted the standard as of January 1, 2023. As a result of adoption of this guidance, the allowance for loan losses decreased by $8.7 million and a reserve for unfunded commitments of $1.1 million was recognized, with a cumulative-effect increase, net of tax balances, to retained earnings of $5.9 million.
In March 2022, the FASB issued ASU 2022-02 "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures." The guidance is effective at the same time that ASU 2016-13 is adopted.	This guidance eliminates the accounting guidance for troubled debt restructurings by creditors in Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings.	We adopted the standard on January 1, 2023. The adoption of this guidance did not have a material impact on our financial statements, but will modify certain disclosures beginning with our first quarter 2023 Quarterly Report.

NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)	**2022**		2021		2020	
As of December 31	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$3,578,199**	**59.8%**	$3,362,319	61.6%	$2,928,921	60.2%
Production and intermediate-term	**688,425**	**11.5%**	702,116	12.8%	653,480	13.4%
Agribusiness	**1,254,479**	**21.0%**	1,030,672	18.8%	966,288	19.9%
Other	**462,745**	**7.7%**	372,949	6.8%	318,726	6.5%
Total	**$5,983,848**	**100.0%**	$5,468,056	100.0%	$4,867,415	100.0%

The other category is primarily composed of rural infrastructure related loans and other diversified industries in our capital markets portfolio.

Portfolio Concentrations

Loan concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities or within close proximity, which could cause them to be similarly impacted by economic or other conditions. We lend primarily within agricultural industries.

As of December 31, 2022, volume plus commitments, excluding government guaranteed portions of loans, to our ten largest borrowers totaled an amount equal to 3.8% of total loans and commitments.

Total loans plus any unfunded commitments represent a proportionate maximum potential credit risk. However, substantial portions of our lending activities are collateralized. Accordingly, the credit risk associated with lending activities is less than the recorded loan principal. 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 may include real estate, equipment, inventory, livestock, and income-producing property. Long-term real estate loans are secured by the first liens on the underlying real property.

Participations

We may purchase or sell participation interests with other parties to diversify risk, manage loan volume, or comply with the limitations of the FCA Regulations or General Financing Agreement (GFA) with AgriBank.

Participations Purchased and Sold

(in thousands)	AgriBank Participations	Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations	Total Participations	
As of December 31, 2022	Sold	Purchased	Sold	Purchased	Purchased	Sold
Real estate mortgage	**($107,069)**	**$318,388**	**($53,336)**	**$130,470**	**$448,858**	**($160,405)**
Production and intermediate-term	**--**	**4,516**	**(8,460)**	**--**	**4,516**	**(8,460)**
Agribusiness	**--**	**1,121,760**	**(67,833)**	**7,823**	**1,129,583**	**(67,833)**
Other	**--**	**416,550**	**--**	**--**	**416,550**	**--**
Total	**($107,069)**	**$1,861,214**	**($129,629)**	**$138,293**	**$1,999,507**	**($236,698)**

	AgriBank Participations	Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations	Total Participations	
As of December 31, 2021	Sold	Purchased	Sold	Purchased	Purchased	Sold
Real estate mortgage	($95,160)	$274,834	($43,896)	$137,243	$412,077	($139,056)
Production and intermediate-term	--	1,976	(9,790)	--	1,976	(9,790)
Agribusiness	--	895,997	(58,572)	8,280	904,277	(58,572)
Other	--	330,160	--	--	330,160	--
Total	($95,160)	$1,502,967	($112,258)	$145,523	$1,648,490	($207,418)

	AgriBank Participations	Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations	Total Participations	
As of December 31, 2020	Sold	Purchased	Sold	Purchased	Purchased	Sold
Real estate mortgage	($91,041)	$262,899	($37,444)	$105,188	$368,087	($128,485)
Production and intermediate-term	--	2,228	(11,029)	--	2,228	(11,029)
Agribusiness	--	818,275	(105,151)	8,702	826,977	(105,151)
Other	--	284,522	--	--	284,522	--
Total	($91,041)	$1,367,924	($153,624)	$113,890	$1,481,814	($244,665)

Credit Quality and Delinquency

We utilize the FCA Uniform Classification System to categorize loans into five credit quality categories. The categories are:

- Acceptable – loans are non-criticized loans representing the highest quality. They are expected to be fully collectible. This category is further differentiated into various probabilities of default.
- Other assets especially mentioned (Special Mention) – loans are currently collectible but exhibit some potential weakness. These loans involve increased credit risk, but not to the point of justifying a substandard classification.
- Substandard – loans exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful – loans exhibit similar weaknesses as substandard loans. Doubtful loans have additional weaknesses in existing factors, conditions, and values that make collection in full highly questionable.
- Loss – loans are considered uncollectible.

We had no loans categorized as loss as of December 31, 2022, 2021, or 2020.

Credit Quality of Loans

(dollars in thousands)	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2022	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$3,515,576**	**97.2%**	**$50,240**	**1.4%**	**$51,895**	**1.4%**	**$3,617,711**	**100.0%**
Production and intermediate-term	**679,648**	**96.9%**	**11,361**	**1.6%**	**10,524**	**1.5%**	**701,533**	**100.0%**
Agribusiness	**1,223,214**	**97.0%**	**2,534**	**0.2%**	**34,789**	**2.8%**	**1,260,537**	**100.0%**
Other	**461,175**	**99.4%**	**2,318**	**0.5%**	**594**	**0.1%**	**464,087**	**100.0%**
Total	**$5,879,613**	**97.3%**	**$66,453**	**1.1%**	**$97,802**	**1.6%**	**$6,043,868**	**100.0%**

As of December 31, 2021	Acceptable Amount	%	Special Mention Amount	%	Substandard/ Doubtful Amount	%	Total Amount	%
Real estate mortgage	$3,242,598	95.5%	$80,997	2.4%	$71,831	2.1%	$3,395,426	100.0%
Production and intermediate-term	648,614	91.2%	38,456	5.4%	24,076	3.4%	711,146	100.0%
Agribusiness	973,050	94.1%	46,349	4.5%	14,400	1.4%	1,033,799	100.0%
Other	373,167	99.9%	71	0.0%	226	0.1%	373,464	100.0%
Total	$5,237,429	95.0%	$165,873	3.0%	$110,533	2.0%	$5,513,835	100.0%

As of December 31, 2020	Acceptable Amount	%	Special Mention Amount	%	Substandard/ Doubtful Amount	%	Total Amount	%
Real estate mortgage	$2,779,341	93.9%	$85,452	2.9%	$95,057	3.2%	$2,959,850	100.0%
Production and intermediate-term	581,925	87.6%	48,355	7.3%	33,770	5.1%	664,050	100.0%
Agribusiness	901,087	93.0%	55,584	5.7%	12,768	1.3%	969,439	100.0%
Other	318,651	99.9%	68	0.0%	282	0.1%	319,001	100.0%
Total	$4,581,004	93.2%	$189,459	3.9%	$141,877	2.9%	$4,912,340	100.0%

Note: Accruing loans include accrued interest receivable.

Aging Analysis of Loans

(in thousands) **As of 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
Real estate mortgage	**$1,887**	**$828**	**$2,715**	**$3,614,996**	**$3,617,711**
Production and intermediate-term	**456**	**340**	**796**	**700,737**	**701,533**
Agribusiness	**7,733**	**--**	**7,733**	**1,252,804**	**1,260,537**
Other	**57**	**--**	**57**	**464,030**	**464,087**
Total	**$10,133**	**$1,168**	**$11,301**	**$6,032,567**	**$6,043,868**

As of December 31, 2021	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total
Real estate mortgage	$2,154	$ --	$2,154	$3,393,272	$3,395,426
Production and intermediate-term	598	138	736	710,410	711,146
Agribusiness	--	--	--	1,033,799	1,033,799
Other	190	--	190	373,274	373,464
Total	$2,942	$138	$3,080	$5,510,755	$5,513,835

As of 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
Real estate mortgage	$2,752	$409	$3,161	$2,956,689	$2,959,850
Production and intermediate-term	882	170	1,052	662,998	664,050
Agribusiness	--	1,925	1,925	967,514	969,439
Other	--	--	--	319,001	319,001
Total	$3,634	$2,504	$6,138	$4,906,202	$4,912,340

Note: Accruing loans include accrued interest receivable.

There were no loans 90 days or more past due and still accruing interest as of December 31, 2022, 2021, or 2020.

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. Interest income recognized and cash payments received on nonaccrual risk loans are applied as described in Note 2.

Risk Loan Information

(in thousands) As of December 31	**2022**	2021	2020
Nonaccrual loans:			
Current as to principal and interest	**$9,768**	$10,697	$11,775
Past due	**4,050**	703	3,153
Total nonaccrual loans	**13,818**	11,400	14,928
Accruing restructured loans	**2,531**	1,040	1,508
Accruing loans 90 days or more past due	**--**	--	--
Total risk loans	**$16,349**	$12,440	$16,436
Volume with specific allowance	**$4,305**	$5,269	$2,776
Volume without specific allowance	**12,044**	7,171	13,660
Total risk loans	**$16,349**	$12,440	$16,436
Total specific allowance	**$1,161**	$4,051	$1,670

For the year ended December 31	**2022**	2021	2020
Income on accrual risk loans	**$121**	$68	$104
Income on nonaccrual loans	**938**	1,527	693
Total income on risk loans	**$1,059**	$1,595	$797
Average risk loans	**$14,464**	$10,966	$16,948

Note: Accruing loans include accrued interest receivable.

Nonaccrual Loans by Loan Type

(in thousands) As of December 31	**2022**	2021	2020
Real estate mortgage	**$8,416**	$6,617	$9,057
Production and intermediate-term	**1,485**	1,991	3,751
Agribusiness	**3,787**	2,644	1,952
Other	**130**	148	168
Total	**$13,818**	$11,400	$14,928

Additional Impaired Loan Information by Loan Type

	As of December 31, 2022			**For the year ended December 31, 2022**	
(in thousands)	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	**$96**	**$96**	**$3**	**$550**	**$ --**
Production and intermediate-term	**422**	**440**	**388**	**335**	**--**
Agribusiness	**3,787**	**3,892**	**770**	**2,372**	**--**
Other	**--**	**--**	**--**	**--**	**--**
Total	**$4,305**	**$4,428**	**$1,161**	**$3,257**	**$ --**
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	**$8,874**	**$9,490**	**$ --**	**$7,263**	**$829**
Production and intermediate-term	**1,251**	**1,868**	**--**	**1,939**	**145**
Agribusiness	**1,790**	**3,188**	**--**	**1,866**	**85**
Other	**129**	**169**	**--**	**139**	**--**
Total	**$12,044**	**$14,715**	**$ --**	**$11,207**	**$1,059**
Total impaired loans:					
Real estate mortgage	**$8,970**	**$9,586**	**$3**	**$7,813**	**$829**
Production and intermediate-term	**1,673**	**2,308**	**388**	**2,274**	**145**
Agribusiness	**5,577**	**7,080**	**770**	**4,238**	**85**
Other	**129**	**169**	**--**	**139**	**--**
Total	**$16,349**	**$19,143**	**$1,161**	**$14,464**	**$1,059**

	As of December 31, 2021			For the year ended December 31, 2021	
	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$2,364	$2,533	$1,207	$1,439	$ --
Production and intermediate-term	264	287	204	344	--
Agribusiness	2,641	2,603	2,640	557	--
Other	--	--	--	--	--
Total	$5,269	$5,423	$4,051	$2,340	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$5,063	$5,792	$ --	$5,999	$1,147
Production and intermediate-term	1,957	3,406	--	2,464	448
Agribusiness	3	1,419	--	4	--
Other	148	181	--	159	--
Total	$7,171	$10,798	$ --	$8,626	$1,595
Total impaired loans:					
Real estate mortgage	$7,427	$8,325	$1,207	$7,438	$1,147
Production and intermediate-term	2,221	3,693	204	2,808	448
Agribusiness	2,644	4,022	2,640	561	--
Other	148	181	--	159	--
Total	$12,440	$16,221	$4,051	$10,966	$1,595

	As of December 31, 2020			For the year ended December 31, 2020	
	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$409	$409	$87	$82	$ --
Production and intermediate-term	430	453	274	1,667	--
Agribusiness	1,937	1,937	1,309	1,164	--
Other	--	--	--	--	--
Total	$2,776	$2,799	$1,670	$2,913	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$9,707	$10,714	$ --	$9,362	$443
Production and intermediate-term	3,771	5,759	--	3,699	326
Agribusiness	14	1,865	--	803	28
Other	168	191	--	171	--
Total	$13,660	$18,529	$ --	$14,035	$797
Total impaired loans:					
Real estate mortgage	$10,116	$11,123	$87	$9,444	$443
Production and intermediate-term	4,201	6,212	274	5,366	326
Agribusiness	1,951	3,802	1,309	1,967	28
Other	168	191	--	171	--
Total	$16,436	$21,328	$1,670	$16,948	$797

[1]The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.

[2]Unpaid principal balance represents the contractual principal balance of the loan.

We had no material commitments to lend additional money to borrowers whose loans were classified as risk loans as of December 31, 2022.

Troubled Debt Restructurings (TDRs)

Included within our loans are TDRs. These loans have been modified by granting a concession to maximize the collection of amounts due when a borrower is experiencing financial difficulties. All risk loans, including TDRs, are analyzed within our allowance for loan losses.

TDR Activity

(in thousands) For the year ended December 31	**2022**		2021		2020	
	Pre-modification	Post-modification	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	**$ --**	**$ --**	$ --	$ --	$200	$200
Production and intermediate-term	**--**	**--**	354	354	221	221
Total	**$ --**	**$ --**	$354	$354	$421	$421

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

The primary types of modification included extension of maturity and deferral of principal.

There were no TDRs that defaulted during the years ended December 31, 2022, 2021, or 2020, in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of December 31	**2022**	2021	2020
Accrual status:			
Real estate mortgage	**$553**	$811	$1,058
Production and intermediate-term	**188**	229	450
Agribusiness	**1,790**	--	--
Total TDRs in accrual status	**$2,531**	$1,040	$1,508
Nonaccrual status:			
Real estate mortgage	**$364**	$2,243	$2,700
Production and intermediate-term	**129**	629	867
Agribusiness	**--**	3	1,951
Total TDRs in nonaccrual status	**$493**	$2,875	$5,518
Total TDRs:			
Real estate mortgage	**$917**	$3,054	$3,758
Production and intermediate-term	**317**	858	1,317
Agribusiness	**1,790**	3	1,951
Total TDRs	**$3,024**	$3,915	$7,026

There were no commitments to lend to borrowers whose loans have been modified in a TDR as of December 31, 2022.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) For the year ended December 31	**2022**	2021	2020
Balance at beginning of year	**$16,854**	$16,850	$17,013
Loan recoveries	**632**	140	281
Loan charge-offs	**(63)**	(136)	(444)
Balance at end of year	**$17,423**	$16,854	$16,850

Changes in Allowance for Loan Losses and Year End Recorded Investments by Loan Type

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2021	**$5,293**	**$3,558**	**$7,206**	**$797**	**$16,854**
Provision for loan losses	**(536)**	**(675)**	**875**	**336**	**--**
Loan recoveries	**3**	**629**	**--**	**--**	**632**
Loan charge-offs	**(6)**	**(57)**	**--**	**--**	**(63)**
Balance as of December 31, 2022	**$4,754**	**$3,455**	**$8,081**	**$1,133**	**$17,423**
Ending balance: individually evaluated for impairment	**$3**	**$388**	**$770**	**$ --**	**$1,161**
Ending balance: collectively evaluated for impairment	**$4,751**	**$3,067**	**$7,311**	**$1,133**	**$16,262**
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2022	**$3,617,711**	**$701,533**	**$1,260,537**	**$464,087**	**$6,043,868**
Ending balance: individually evaluated for impairment	**$8,970**	**$1,673**	**$5,577**	**$129**	**$16,349**
Ending balance: collectively evaluated for impairment	**$3,608,741**	**$699,860**	**$1,254,960**	**$463,958**	**$6,027,519**

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2020	$4,947	$4,860	$6,310	$733	$16,850
Provision for loan losses	345	(1,233)	824	64	--
Loan recoveries	--	68	72	--	140
Loan charge-offs	1	(137)	--	--	(136)
Balance as of December 31, 2021	$5,293	$3,558	$7,206	$797	$16,854
Ending balance: individually evaluated for impairment	$1,207	$204	$2,640	$ --	$4,051
Ending balance: collectively evaluated for impairment	$4,086	$3,354	$4,566	$797	$12,803
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2021	$3,395,426	$711,146	$1,033,799	$373,464	$5,513,835
Ending balance: individually evaluated for impairment	$7,427	$2,221	$2,644	$148	$12,440
Ending balance: collectively evaluated for impairment	$3,387,999	$708,925	$1,031,155	$373,316	$5,501,395

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2019	$4,274	$6,745	$5,371	$623	$17,013
Provision for loan losses	664	(1,580)	806	110	--
Loan recoveries	7	141	133	--	281
Loan charge-offs	2	(446)	--	--	(444)
Balance as of December 31, 2020	$4,947	$4,860	$6,310	$733	$16,850
Ending balance: individually evaluated for impairment	$87	$274	$1,309	$ --	$1,670
Ending balance: collectively evaluated for impairment	$4,860	$4,586	$5,001	$733	$15,180
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2020	$2,959,850	$664,050	$969,439	$319,001	$4,912,340
Ending balance: individually evaluated for impairment	$10,116	$4,201	$1,951	$168	$16,436
Ending balance: collectively evaluated for impairment	$2,949,734	$659,849	$967,488	$318,833	$4,895,904

The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.

NOTE 4: INVESTMENT IN AGRIBANK

As of December 31, 2022, we were required by AgriBank to maintain an investment equal to 2.55% of the average quarterly balance of our note payable.

We are also required to hold AgriBank stock related to our participation in pool programs. The required investment amount varies by pool program and is generally a percentage of the loan balance in the pool.

AgriBank's capital plan provides for annual retirement of AgriBank stock and optimizes capital at AgriBank by distributing all available AgriBank earnings in the form of patronage, either in cash or stock. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of allocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

NOTE 5: NOTE PAYABLE TO AGRIBANK

Our note payable to AgriBank represents borrowings, in the form of a line of credit, to fund our loan portfolio. The line of credit is governed by a GFA and substantially all of our assets serve as collateral.

Note Payable Information

(dollars in thousands)

As of December 31	**2022**	2021	2020
Line of credit	**$8,000,000**	$5,000,000	$5,000,000
Outstanding principal under the line of credit	**5,062,214**	4,596,666	4,039,862
Interest rate	**2.9%**	1.4%	1.5%

Our note payable was scheduled to mature on December 31, 2023. However, it was renewed early for $8.0 billion with a maturity date of December 31, 2025. We intend to renegotiate the note payable no later than the maturity date.

The GFA provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances, credit quality, and financial condition. Additionally, we have requirements to maintain an effective program of internal controls over financial reporting. As of December 31, 2022, and throughout the year, we were not declared in default under any GFA covenants or provisions.

NOTE 6: MEMBERS' EQUITY

Capitalization Requirements

In accordance with the Farm Credit Act, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2.0% of the customer's total loan(s) or one thousand dollars, whichever is less. The purchase of one participation certificate is required of all non-stockholder customers who purchase financial services. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan is made. Typically, the aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

Protection Mechanisms

Under the Farm Credit Act, certain borrower equity is protected. We are required to retire protected borrower equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock and participation certificates that were outstanding as of January 6, 1988, or were issued prior to October 6, 1988, as a requirement for obtaining a loan. If we were unable to retire protected borrower equity at par value or stated value, the FCSIC would provide the amounts needed to retire this equity.

Regulatory Capitalization Requirements

Regulatory Capital Requirements and Ratios

As of December 31	**2022**	2021	2020	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**15.4%**	16.4%	17.4%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**15.4%**	16.4%	17.4%	6.0%	2.5%	8.5%
Total capital ratio	**15.6%**	16.7%	17.7%	8.0%	2.5%	10.5%
Permanent capital ratio	**15.4%**	16.4%	17.4%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**16.4%**	17.3%	18.3%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**16.2%**	18.3%	19.2%	1.5%	N/A	1.5%

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

Risk-adjusted assets is calculated differently for the permanent capital ratio (referred herein as PCR risk-adjusted assets) compared to the other risk-based capital ratios. The primary difference is the inclusion of the allowance for loan losses as a deduction to risk-adjusted assets for the permanent capital ratio.

These ratios are based on a three-month average daily balance in accordance with the FCA Regulations and are calculated as follows (not all items below may be applicable to our Association):

- Common equity tier 1 ratio is statutory minimum purchased member stock, other required member stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to retirement, unallocated retained earnings as regulatorily prescribed, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is tier 1 capital plus other required member stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt, and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance for loan losses and reserve for credit losses subject to certain limitations, less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.

- Permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings as regulatorily prescribed, paid-in capital, subordinated debt, and preferred stock subject to certain limitations, less certain allocated and purchased investments in other System institutions divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- Unallocated retained earnings and equivalents leverage ratio is unallocated retained earnings as regulatorily prescribed, paid-in capital, allocated surplus not subject to retirement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

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

Description of Equities

The following represents information regarding classes and number of shares of stock and participation certificates outstanding. All shares and participation certificates are stated at a $5.00 par value.

	Number of Shares		
As of December 31	**2022**	2021	2020
Class A common stock (protected)	**543**	702	1,100
Class C common stock (at-risk)	**2,383,612**	2,420,275	2,369,400
Participation certificates (at-risk)	**78,379**	74,211	64,180
Series 1 participation certificates (protected)	**6**	6	6

Under our bylaws, we are also authorized to issue Class B, Class D, and Class E common stock and Class F preferred stock. Each of these classes of stock is at-risk and nonvoting with a $5.00 par value per share. Currently, no stock of these classes has been issued.

Only holders of Class C common stock have voting rights. Our bylaws do not prohibit us from paying dividends on any classes of stock. However, no dividends have been declared to date.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of our Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. As of December 31, 2022, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In the event of our liquidation or dissolution, according to our bylaws, any remaining assets after payment or retirement of all liabilities will be distributed pro rata to holders of Class F preferred stock and then pro rata to holders of all common stock and participation certificates.

In the event of impairment, losses will be absorbed pro rata first by all classes of common stock and participation certificates and then by preferred stock; however, protected stock will be retired at par value regardless of impairment.

All classes of common stock and participation certificates are transferable to other customers who are eligible to hold such class as long as we meet the regulatory minimum capital requirements.

Patronage Distributions

We accrued patronage distributions of $42.4 million, $36.8 million, and $30.7 million as of December 31, 2022, 2021, and 2020, respectively. Generally, the patronage distributions are paid in cash during the first quarter after year end. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

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

NOTE 7: INCOME TAXES

Provision for Income Taxes

Provision for Income Taxes

(dollars in thousands)

For the year ended December 31	**2022**	2021	2020
Current:			
Federal	**$644**	$167	$269
Total current	**$644**	$167	$269
Deferred:			
Federal	**($484)**	$276	$122
Total deferred	**($484)**	$276	$122
Provision for income taxes	**$160**	$443	$391
Effective tax rate	**0.1%**	0.4%	0.4%

Reconciliation of Taxes at Federal Statutory Rate to Provision for Income Taxes

(in thousands) For the year ended December 31	**2022**	2021	2020
Federal tax at statutory rates	**$23,527**	$21,753	$19,363
Patronage distributions	**(89)**	--	(75)
Effect of non-taxable entity	**(23,286)**	(21,345)	(18,894)
Other	**8**	35	(3)
Provision for income taxes	**$160**	$443	$391

Deferred Income Taxes

Tax laws require certain items to be included in our tax returns at different times than the items are reflected on our Consolidated Statements of Income. Some of these items are temporary differences that will reverse over time. We record the tax effect of temporary differences as deferred tax assets and liabilities netted on our Consolidated Statements of Condition.

Deferred Tax Assets and Liabilities

(in thousands) As of December 31	**2022**	2021	2020
Allowance for loan losses	**$1,896**	$1,776	$1,790
Accrued incentive	**370**	451	385
Accrued patronage income not received	**--**	(282)	(213)
Accrued pension asset	**(1,663)**	(1,418)	(1,166)
Other assets	**553**	146	155
Other liabilities	**(517)**	(518)	(520)
Deferred tax assets, net	**$639**	$155	$431
Gross deferred tax assets	**$2,819**	$2,373	$2,330
Gross deferred tax liabilities	**($2,180)**	($2,218)	($1,899)

A valuation allowance for the deferred tax assets was not necessary as of December 31, 2022, 2021, or 2020.

We have not provided for deferred income taxes on patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. Our total permanent investment in AgriBank is $24.2 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $1.0 billion as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

Our income tax returns are subject to review by various United States taxing authorities. We record accruals for items that we believe may be challenged by these taxing authorities. However, we had no uncertain income tax positions as of December 31, 2022. In addition, we believe we are no longer subject to income tax examinations for years prior to 2019.

NOTE 8: EMPLOYEE BENEFIT PLANS

Pension and Post-Employment Benefit Plans

Complete financial information for the pension and post-employment benefit plans may be found in the AgriBank 2022 Annual Report.

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans for which AgriBank and District associations are participating employers. These governance committees are comprised of elected or appointed representatives (senior leadership and/or Board of Director members) from the participating organizations. The Plan Sponsor Committee is responsible for employer decisions regarding all benefit plans including retirement benefits. These decisions could include plan design changes, vendor changes, determination of employer subsidies (if any), and termination of specific benefit plans. Any action to change or terminate the retirement plan can only occur at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

Pension Plan: Certain employees participate in the AgriBank District Retirement Plan, a District-wide multi-employer defined benefit retirement plan. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan’s 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 plan’s termination is contingent on the sufficiency of the plan’s net assets to provide benefits at that time. This plan is noncontributory and covers certain eligible District employees. The assets, liabilities, and costs of the plan 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 we choose to stop participating in the plan, we may be required to pay an amount based on the underfunded status of the plan. Because of the nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee transfers 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 this plan.

AgriBank District Retirement Plan Information

(in thousands) As of December 31	**2022**	2021	2020
Unfunded liability	**$87,688**	$46,421	$169,640
Projected benefit obligation	**1,204,130**	1,500,238	1,563,421
Fair value of plan assets	**1,116,442**	1,453,817	1,393,781
Accumulated benefit obligation	**1,083,610**	1,384,554	1,426,270

For the year ended December 31	**2022**	2021	2020
Total plan expense	**$30,475**	$28,048	$42,785
Our allocated share of plan expenses	**1,503**	1,448	2,158
Contributions by participating employers	**90,385**	90,000	90,000
Our allocated share of contributions	**4,800**	4,843	4,734

The unfunded liability reflects the net of the fair value of the plan assets and the projected benefit obligation as of December 31. 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 accumulated benefit obligation is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and based on current employee service and compensation. The 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. We recognize our proportional share of expense and contribute a proportional share of funding.

Benefits paid to participants in the District were $132.1 million in 2022. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plan during 2023 is $45.0 million. Our allocated share of these pension contributions is expected to be $2.5 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 the amounts reflected in the District financial statements.

Retiree Medical Plans: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plans. The anticipated costs of these benefits are accrued during the period of the employee's active status. Net periodic benefit cost is included in "Salaries and employee benefits" in the Consolidated Statements of Income. Postretirement benefit costs related to the retiree medical plans were not considered material for any of the years presented. Our cash contributions were equal to the benefits paid.

Defined Contribution Plans

We participate in a District-wide defined contribution plan. For employees hired before January 1, 2007, employee contributions are matched dollar for dollar up to 2.0% and 50 cents on the dollar on the next 4.0% on both pre-tax and post-tax contributions. The maximum employer match is 4.0%. For employees hired after December 31, 2006, we contribute 3.0% of the employee's compensation and will match employee contributions dollar for dollar up to a maximum of 6.0% on both pre-tax and post-tax contributions. The maximum employer contribution is 9.0%.

We also participate in a District-wide Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the defined contribution plan if it were not for certain IRS limitations.

Employer contribution expenses for the defined contribution plan, included in "Salaries and employee benefits" in the Consolidated Statements of Income, were $2.0 million, $1.8 million, and $1.5 million in 2022, 2021, and 2020, respectively. These expenses were equal to our cash contributions for each year.

NOTE 9: RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions may be 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 other persons. In our opinion, none of these loans outstanding as of December 31, 2022, involved more than a normal risk of collectability.

Related Party Loans Information

(in thousands) As of December 31	**2022**	2021	2020
Total related party loans	**$20,242**	$28,609	$20,733

For the year ended December 31	**2022**	2021	2020
Advances to related parties	**$7,183**	$19,227	$16,191
Repayments by related parties	**9,468**	14,065	16,071

The related parties can be different each year end primarily due to changes in the composition of the Board of Directors and the mix of organizations with which such persons may be associated. Advances and repayments on loans in the preceding chart are related to those considered related parties at each respective year end.

As described in Note 5, we borrow from AgriBank, in the form of a line of credit, to fund our loan portfolio. All interest expense as shown on the Consolidated Statements of Income was paid to AgriBank.

Total patronage from AgriBank, which includes a partnership distribution from AgDirect, LLP, was $28.5 million, $27.3 million, and $25.0 million in 2022, 2021, and 2020, respectively. Patronage income for 2022 and 2021 was received in cash and AgriBank stock. Patronage income for 2020 was received in cash.

In addition, we received compensation from AgriBank for servicing loans of $86 thousand, $102 thousand, and $126 thousand in 2022, 2021, and 2020, respectively.

Refer to Note 3 for information on participations sold to AgriBank and Note 4 for stock investment in AgriBank information.

As of December 31, 2022, we purchased certain business services from AgriBank. Until the formation of SunStream Business Services (SunStream) on April 1, 2020, we also purchased financial and retail information technology, collateral, tax reporting, and insurance services from AgriBank. These services are now purchased from SunStream. We also purchase human resource, benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). SunStream and Foundations are both System service corporations within the AgriBank District and the costs incurred are included in the table below in AgriBank District purchased services. In addition to the services we purchase from AgriBank, SunStream, and Foundations we also hold an investment in each of these institutions.

Additional Related Party Information

(in thousands) As of December 31	**2022**	2021	2020
Investment in AgriBank	**$166,091**	$134,343	$110,034
Investment in AgDirect, LLP	**17,055**	14,331	9,779
Investment in SunStream	**1,875**	1,875	1,875
Investment in Foundations	**32**	32	32

For the year ended December 31	**2022**	2021	2020
AgriBank District purchased services	**$2,185**	$1,527	$1,419

NOTE 10: CONTINGENCIES AND COMMITMENTS

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

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

We have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on 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 loan contract. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. As of December 31, 2022, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $1.3 billion. Additionally, we had $23.4 million of issued standby letters of credit as of December 31, 2022.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments to extend credit and letters of credit remain unfulfilled or have not expired, they may have credit risk not recognized in the financial statements. Many of the commitments to extend credit and letters of credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable us to recover from third parties amounts paid under guarantees, thereby limiting our maximum potential exposure. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers and we apply the same credit policies. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management's credit evaluation of the borrower.

In June 2021, we signed an agreement guaranteeing the amounts borrowed by SunStream on their line of credit with AgriBank, up to $40.0 million. The term of the line of credit is 36 months and may be extended. The guarantee is in effect until any outstanding balance is paid in full. While we are primarily liable for our pro-rata portion of SunStream's indebtedness to AgriBank, we are jointly and severally liable with certain other owners of SunStream. In the event of default by SunStream, we are responsible for the prompt and full payment of amounts outstanding. However, we may seek reimbursement from the remaining owners of SunStream subject to the guarantee agreement. At this time we believe it is unlikely that we will be required to make payment under this guarantee.

NOTE 11: FAIR VALUE MEASUREMENTS

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

We did not have any assets or liabilities measured at fair value on a recurring basis as of December 31, 2022, 2021, or 2020.

Non-Recurring Basis

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

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of December 31, 2022	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	**$ --**	**$ --**	**$3,301**	**$3,301**

As of December 31, 2021	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$1,279	$1,279

As of December 31, 2020	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$1,161	$1,161

Valuation Techniques

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

NOTE 12: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 10, 2023, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our 2022 Consolidated Financial Statements or disclosure in the Notes to Consolidated Financial Statements.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

FCS Financial, ACA

(Unaudited)

Description of Business

General information regarding the business is incorporated herein by reference from Note 1 to the Consolidated Financial Statements in this Annual Report.

The description of significant business developments, if any, is incorporated herein by reference from the Management's Discussion and Analysis section of this Annual Report.

Description of Property

Property Information

Location	Description	Usage
Jefferson City	Owned	Headquarters
Jefferson City	Leased	Corporate
Cameron	Owned	Branch
Chillicothe	Owned	Branch
Columbia	Owned	Branch
Farmington	Leased	Branch
Hannibal	Owned	Branch
Harrisonville	Owned	Branch
Higginsville	Owned	Branch
Jefferson City	Owned	Branch
Joplin	Owned	Branch
Lebanon	Leased	Branch
Macon	Owned	Branch
Marshall	Owned	Branch
Maryville	Owned	Branch
Mexico	Owned	Branch
Nevada	Owned	Branch
O'Fallon	Owned	Branch
St. Joseph	Owned	Branch
Sedalia	Owned	Branch
Springfield	Owned	Branch
Union	Leased	Branch
West Plains	Leased	Branch

Legal Proceedings

Information regarding legal proceedings is included in Note 10 to the Consolidated Financial Statements in this Annual Report. We were not subject to any enforcement actions as of December 31, 2022.

Description of Capital Structure

Information regarding our capital structure is included in Note 6 to the Consolidated Financial Statements in this Annual Report.

Description of Liabilities

Information regarding liabilities is included in Notes 5, 6, 7, 8, and 10 to the Consolidated Financial Statements in this Annual Report. All debt and other liabilities in the financial statements are uninsured.

Selected Financial Data

The Consolidated Five-Year Summary of Selected Financial Data is presented at the beginning of this Annual Report.

Management's Discussion and Analysis

Information regarding any material aspects of our financial condition, changes in financial condition, and results of operations are discussed in the Management's Discussion and Analysis section of this Annual Report.

Board of Directors

Board of Directors as of December 31, 2022, including business experience during the last five years

Name	Principal occupation and other business affiliations
Kenneth Bergmann **Chairperson** **Board Service Began:** 2010 **Current Term Expires:** 2023	**Principal occupation:** Self-employed grain and livestock farmer Executive Vice President: S&H Farm Supply
Michael L. Cook **Outside Director** **Board Service Began:** 1990 **Current Term Expires:** 2024	**Principal occupation:** Professor: Department of Agricultural and Applied Economics, Division of Applied Social Sciences, University of Missouri-Columbia
Glen Cope **Board Service Began:** 2018 **Current Term Expires:** 2025	**Principal occupation:** Self-employed cattle farmer **Other business affiliations:** Chairman: MFA Oil Board of Directors, energy cooperative
Dan Devlin **Board Service Began:** 2009 **Current Term Expires:** 2025	**Principal occupation:** Self-employed grain farmer **Other business affiliations:** Member: Knox County Soil and Water Conservation District Board Member: University of Missouri Greenley Research Center Advisory Board Vice Chairman: University of Missouri - Northern Missouri Research Extension and Education Center Advisory Council Member: St. Joseph Church Finance Committee Advisory Committee: FCS Financial Rural Community and Agriculture Foundation
Sherry Jones **Board Service Began:** 2012 **Current Term Expires:** 2024	**Principal occupation:** Self-employed grain and livestock farmer **Other business affiliations:** Member: Missouri State Fair Commission Member: Missouri Agricultural and Small Business Development Authority Board of Directors Vice President: Livingston County Farm Bureau Member: Calvary Baptist Church Finance Committee Advisory Committee: FCS Financial Rural Community and Agriculture Foundation
Andy Kapp **Board Service Began:** 2021 **Current Term Expires:** 2025	**Principal occupation:** Self-employed grain farmer
David Meneely **Outside Director** **Board Service Began:** 1990 **Current Term Expires:** 2025	**Principal occupation:** County Executive Director: Livingston County Farm Service Agency - retired 2015
Troy D. Norton **Outside Director** **Board Service Began:** 2013 **Current Term Expires:** 2023	**Principal occupation:** CPA: member-owner of Williams-Keepers, LLC
Randy Pace **Board Service Began:** 2020 **Current Term Expires:** 2024	**Principal occupation:** Self-employed beef cattle and poultry farmer FCS Financial Loan Officer, retired **Other business affiliations:** Treasurer: Howell County Soil and Water Conservation District Board of Directors Vice Chairman: West Vue, Inc. Board of Directors, independent living facility
Rick Rehmeier **Board Service Began:** 2011 **Current Term Expires:** 2026	**Principal occupation:** Self-employed grain and livestock farmer **Other business affiliations:** Advisory Committee: FCS Financial Rural Community and Agriculture Foundation, President Advisor/Investor: Heritage Community Bank
Dale Ridder **Board Service Began:** 2019 **Current Term Expires:** 2023	**Principal occupation:** Self-employed grain and livestock farmer Public School Administrator, retired **Other business affiliations:** President: Hermann Area District Hospital Board of Directors Member: Hermann Area Chamber of Commerce Board of Directors Chairman: Gasconade County Industrial Development Authority Member: AgriBank District Farm Credit Council

Name	Principal occupation and other business affiliations
Don Schlesselman **Board Service Began:** 2022 **Current Term Expires:** 2026	**Principal occupation:** Self-employed grain and livestock farmer **Other business affiliations:** Vice Chairman: MFA, Inc. Board of Directors, farm supply and marketing cooperative Chairman: Layfayette Country Planning and Zoning Board of Directors
Beth Schnitker **Vice Chairperson** **Board Service Began:** 2018 **Current Term Expires:** 2026	**Principal occupation:** Self-employed grain and livestock farmer Agent: New York Life Insurance Company **Other business affiliations:** Member: Audrain County Cattlemen's Association Board of Directors Member: AgriBank Nominating Committee Vice Chair: Audrain Soil and Water Conservation District Board of Directors
Jared Wareham **Board Service Began:** 2017 **Current Term Expires:** 2024	**Principal occupation:** Self-employed cow-calf farmer Business Development Manager: ABS Global Former General Manager: Top Dollar Angus, Inc., Angus genetics certification **Other business affiliations:** Drovers magazine columnist
David Wright **Board Service Began:** 2019 **Current Term Expires:** 2023	**Principal occupation:** Self-employed grain and livestock farmer **Other business affiliations:** Former member: Missouri Rural Electric Cooperative Board of Directors Former member: Northeast Power Electric Cooperative Board of Directors

Pursuant to our bylaws, directors are paid an annual retainer of $16,250 for attendance at board meetings, committee meetings, or other special assignments. Directors are also reimbursed for reasonable expenses incurred in connection with such meetings or assignments. The Board of Directors has adopted a rate of $600 per day. The directors are also compensated $0.50 per mile honorarium for travel time. In recognition of the additional duties and responsibilities, the Chairperson and Vice Chairperson received an additional annual retainer of $9,750 and $3,750, respectively. Committee chairpersons are paid an additional annual retainer of $3,750. All retainers are paid biannually in January and July.

Information regarding compensation paid to each director who served during 2022 follows:

	Number of Days Served		Compensation Paid for		
Name	Board Meetings	Other Official Activities	Service on a Board Committee	Name of Committee	Total Compensation Paid in 2022
Kenneth Bergmann	13.0	28.5	$3,000	Governance & Compensation	$53,353
Michael L. Cook	12.0	8.0	1,800	Governance & Compensation	29,868
Glen Cope	10.0	12.0	2,400	Risk	33,275
Dan Devlin	13.0	11.0	2,100	Risk	32,454
Sherry Jones	13.0	18.0	2,400	Risk	36,816
Andy Kapp	13.0	22.0	2,400	Audit	37,514
David Meneely	13.0	11.0	6,150	Risk	36,373
Troy D. Norton	12.0	10.0	6,150	Audit	34,351
Randy Pace	13.0	20.5	2,400	Audit	39,236
Mark Pierce*	3.0	13.0	2,400	Governance & Compensation	20,434
Rick Rehmeier	13.0	19.5	7,350	Governance & Compensation	41,013
Dale Ridder	13.0	44.5	4,200	Governance & Compensation	52,623
Don Schlesselman**	8.0	11.0	1,200	Audit	20,300
Beth Schnitker	13.0	42.5	2,400	Governance & Compensation ($1,200); Audit ($1,200)	52,527
Jared Wareham	10.0	11.5	1,200	Risk	31,593
David Wright	13.0	16.5	2,100	Audit	35,740
					$587,470

*Effective March 9, 2022, Mark Pierce was elected to the AgriBank Board of Directors and subsequently resigned from FCS Financial's Board of Directors.

**Term commenced June 2022.

Senior Officers

Senior Officers as of December 31, 2022, including business experience during the last five years

Name and Position	Business experience and other business affiliations
David D. Janish Chief Executive Officer	**Business experience:** Chief Executive Officer from August 2013 to December 31, 2022 **Other business affiliations:** Board member of Agriculture Leaders of Tomorrow, provides advanced agriculture leadership experiences Board member of Univerity of Missouri College of Agriculture, Food and Natural Resources Foundation Advisory Committee: FCS Financial Rural Community and Agriculture Foundation
John Bandy General Counsel	**Business experience:** General Counsel from August 2016 to present
Robert Bock Chief Risk Officer	**Business experience:** Chief Risk Officer from March 2022 to present Chief Credit Officer from March 2010 to March 2022
Robert Guinn Executive Vice President, Chief Marketplace Officer	**Business experience:** Executive Vice President, Chief Marketplace Officer from September 2020 to December 31, 2022 Vice President, Traditional and Part-time Farmers from 2010 to August 2020
Starla Harper Chief Financial Officer	**Business experience:** Chief Financial Officer from October 2019 to present Vice President, Accounting and Finance from 2016 to September 2019 **Other business affiliations:** Advisory Committee: FCS Financial Rural Community and Agriculture Foundation, Treasurer
Jeff Houts Executive Vice President, Operations	**Business experience:** Executive Vice President, Operations from March 2010 to present **Other business affiliations:** Executive committee member of Missouri Farmers Care, agriculture advocacy and education Board member of Houts Bayview Farms, LLC
Dennis Hunsberger Executive Vice President, Chief Information Officer	**Business experience:** Executive Vice President, Chief Information Officer from March 2016 to present

In early 2022 then CEO, David D. Janish, announced his retirement for the first quarter 2023. The Board selected Robert (Rob) Guinn, FCS Financial Chief Marketplace Officer (CMO), to be the next CEO effective January 1, 2023. This created a vacancy in the CMO position. Chad Roberts, Senior Vice President, Traditional and Part-time Farmers, was promoted to CMO effective February 1, 2023.

Senior Officer Compensation

Compensation Risk Management: We believe the design and governance of our CEO, senior officers, and highly compensated individuals compensation program is consistent with the highest standards of risk management and provides total compensation that promotes our mission to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America. Our compensation philosophy aims to provide a competitive total rewards package that will enable us to attract and retain highly qualified officers with the requisite expertise and skills while achieving desired business results aligned with the best interests of our members. The design of our CEO, senior officers, and highly compensated individuals compensation program supports our risk management goals through a set of checks and balances, including (1) a balanced mix of base and variable pay, (2) a balanced use of performance measures that are risk-adjusted where appropriate, and (3) a pay-for-performance process that allocates individual awards based on both results and how those results were achieved.

Elements of Compensation: The CEO, senior officers, and highly compensated individuals are compensated with a mix of base salary and annual incentives as well as retirement plans generally available to all employees. Our Board of Directors determines the appropriate balance of goals in the annual incentive plan while keeping in mind their responsibilities to our members. Base salary and the annual incentive plan are intended to be competitive with annual compensation for comparable positions at peer organizations.

Base Salary: The CEO, senior officers, and highly compensated individuals base salaries reflect the officer's experience and level of responsibility. Base salaries are subject to review and approval by the Governance and Compensation Committee of our Board of Directors and are subject to adjustment based on changes in responsibilities or competitive market conditions.

Annual Incentive Plan: The CEO, senior officers, and highly compensated individuals incentives are paid annually based on performance criteria established by our Board of Directors. The criteria related to the overall Association performance include return on assets, loan volume, and credit quality. Additionally, performance criteria related to personal performance include attainment of personal objectives and performance ratings serve as qualifiers to be eligible to participate annually. We calculate the incentives after the end of the plan year (the plan year is the calendar year)**.** We pay out the incentives within 90 days of year end.

Retirement Plans: We have various post-employment benefit plans which are generally available to all Association employees, including the CEO, senior officers, and highly compensated individuals, based on dates of service to the Association and are not otherwise differentiated by position, unless specifically stated. Information regarding the post-employment benefit plans is included in Notes 2 and 8 to the accompanying Consolidated Financial Statements.

Other Components of Compensation: Additionally, compensation associated with any company-paid vehicles, group term life insurance premiums, disability insurance premiums, or other taxable reimbursements may be made available to the CEO, senior officers, and highly compensated individuals based on job criteria or similar plans available to all employees.

Compensation to the CEO, Senior Officers, and Highly Compensated Individuals

(in thousands) Name	Year	Salary	Bonus	Deferred/ Perquisites	Other	Total
David D. Janish, CEO	**2022**	**$502**	**$281**	**$7**	**$65**	**$855**
David D. Janish, CEO	2021	473	265	5	66	809
David D. Janish, CEO	2020	446	250	5	52	753
Aggregate Number of Senior Officers and Highly Compensated Individuals, excluding CEO						
Nine*	**2022**	**$1,532**	**$646**	**$19**	**($508)**	**$1,689**
Eight**	2021	1,407	578	13	1,008	3,006
Eight***	2020	1,546	677	17	1,656	3,896

*Includes compensation for one individual that retired in February 2022. Also includes compensation for one Senior Officer that ended employment with the Association in March 2022 and one individual that joined the Association as a Senior Officer in March 2022.

**Includes compensation for one individual that retired in January 2021.

***Includes a full year of compensation for two individuals that became Senior Officers in January and September 2020.

The Farm Credit Administration (FCA) Regulations require the disclosure of the total compensation paid during the last fiscal year to all senior officers and highly compensated individuals included in the above table be available and disclosed to our members upon request.

The amount in the "Other" category in the preceding table primarily includes:

- Employer match on defined contribution plans available to all employees.
- Changes in the value of pension benefits. The change in value of the pension benefits is defined as the change in the vested portion of the present value of the accumulated benefit obligation from December 31 of the prior year to December 31 of the most recent year for the District-wide Pension Plan as disclosed in Note 8 to the Consolidated Financial Statements in this Annual Report. This change in value does not represent cash payments made by the Association during the year, but rather is an estimate of the change in the Association's future obligations under the pension plan. The change in the value of the pension benefits is highly sensitive to discount rates used to value the plan liabilities to participants.
- Amounts related to vacation payouts to former Senior Officers in 2022 and 2021.

No tax reimbursements are made to the CEO, senior officers, or highly compensated individuals.

Generally, pension benefits increase annually as a result of an additional year of credited service and related compensation for plan participants. The value of the pension benefits can also be significantly impacted by changes in interest rates as of the measurement date.

Pension Benefits Attributable to Senior Officers and Highly Compensated Individuals

(dollars in thousands) **2022** Name	Plan	Years of Credited Service	Present Value of Accumulated Benefits	Payments Made During the Reporting Period
Aggregate Number of Senior Officers and Highly Compensated Individuals				
Six	AgriBank District Retirement Plan	**34.2**	**$7,265**	**$101**

Senior officers and highly compensated individuals in the above table includes those who retired during the year.

The change in composition of the aggregate senior officers and highly compensated individuals can have a significant impact on the calculation of the accumulated pension benefits.

Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. Therefore, any employee starting employment with the AgriBank District after that date is not eligible to be in the plan.

Transactions with Senior Officers and Directors

Information regarding related party transactions is included in Note 9 to the Consolidated Financial Statements in this Annual Report.

Travel, Subsistence, and Other Related Expenses

Directors and senior officers are reimbursed for reasonable travel, subsistence, and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting us at:

1934 East Miller Street
Jefferson City, MO 65101
(573) 635-7956
www.myfcsfinancial.com
jeffersoncitymo@myfcsfinancial.com

The total directors' travel, subsistence, and other related expenses were $152 thousand, $77 thousand, and $91 thousand in 2022, 2021, and 2020, respectively.

Involvement in Certain Legal Proceedings

No events occurred during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2023, or at any time during 2022.

Member Privacy

The FCA Regulations protect members' nonpublic personal financial information. Our directors and employees are restricted from disclosing information about our Association or our members not normally contained in published reports or press releases.

Relationship with Qualified Public Accountant

There were no changes in the independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total financial statement audit fees paid during 2022 were $105 thousand. Our engagement letter commits to reimbursing the external auditor for reasonable out-of-pocket expenses as incurred for travel. We also incurred $13 thousand for work related to our implementation of new accounting guidance, which was pre-approved by the Audit Committee.

Financial Statements

The Report of Management, Report on Internal Control over Financial Reporting, Report of Audit Committee, Report of Independent Auditors, Consolidated Financial Statements, and Notes to Consolidated Financial Statements are presented prior to this portion of the Consolidated Financial Statements in this Annual Report.

Young, Beginning, and Small Farmers and Ranchers

Information regarding credit and services to young, beginning, and small farmers and ranchers, and producers or harvesters of aquatic products is included in an addendum to this Annual Report.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

FCS Financial, ACA

(Unaudited)

We have specific programs in place to serve the credit and related needs of young, beginning, and small farmers and ranchers (YBS) in our territory. The definitions of YBS as developed by the Farm Credit Administration (FCA) follow:

- Young: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.
- Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan transaction date.
- Small: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $250 thousand in annual gross sales of agricultural or aquatic products.

Demographics*

We have used the 2017 United States Department of Agriculture (USDA) Ag Census as our source of demographic data for Young, Beginning, and Small Farmers. We have 89,916 farmers in our 102 county territory. Of these farmers, 12.7%, or 11,454, are young farmers, 28.5%, or 25,577, are beginning farmers, and 92.8%, or 83,474, are small farmers. The census data is as of 2017 whereas our portfolio data is based on the number of loans in the current year.

Mission Statement

Our Young, Beginning, and Small Farmer's mission is to be the lender of choice by providing industry leading financial services, agricultural expertise, and cooperative educational opportunities to help them succeed in the marketplace.

Quantitative Goals

We will strive to maintain a portfolio mix of young, beginning, and small farmers that matches the marketplace based on recent USDA Ag Census data.

Related services continue to be offered and sold to young, beginning, and small farmers on a statewide basis through our normal delivery channels. We are also a participating lender for the Missouri Linked Deposit Program which offers, among others, a program for beginning farmers. Additionally, we participate in the financial assistance program for beginning farmers that is administered through the Missouri Department of Agriculture's Agricultural and Small Business Development Authority. Special educational meetings are held periodically for promotional and educational purposes.

New Customers	2022 Goals	2022 Actual
New young farmer customers:	390	231
New beginning farmer customers:	580	397
New small farmer customers:	770	476

Portfolio Goals (dollars in millions)	2022 Goals	2022 Actual
Number of young farmer customers:	3,585	3,458
Number of beginning farmer customers:	5,181	5,226
Number of small farmer customers:	9,500	9,125
Young farmer volume:	$734	$907
Beginning farmer volume:	$884	$1,213
Small farmer volume:	$1,419	$1,653
Young farmers with guaranteed loans:	625	619
Beginning farmers with guaranteed loans:	620	626
Small farmers with guaranteed loans:	720	694
Guaranteed young farmer volume:	$144	$162
Guaranteed beginning farmer volume:	$145	$167
Guaranteed small farmer volume:	$155	$155

The FCS Financial *Connect* program continues to provide a benefit to those involved in the programs. Through four key areas of credit standards, cooperative representation, communication, and knowledge sharing, *Connect* helps participants realize their full potential to find success. *Connect* goes beyond loans to young, beginning, and small producers by providing opportunities for learning, peer to peer networking, and producer to expert connection. In 2022, FCS Financial hosted the first *Connect* class reunion, bringing four graduated classes of *Connect* members back together.

FCS Financial successfully hosted the annual *Connect* Ag Seminar and Empowered Women, Empower Ag Seminar in November of 2022. These events drew in producers from across the state, where they devoted an entire day to strategic focus on strengthening their business resiliency while growing their own networks. FCS Financial continues to enhance its social media presence on Facebook, Twitter, and YouTube to reach the young, beginning, and small farmer segments. The Association's website also features a designated page for young, beginning, and small producers with links to special programs, opportunities, and educational content.

We continue to host programs and seminars for Vo-Ag classes, young farmers, and other organizations. All promotional information and brochures targeted to the YBS Program offer related services as part of the materials. We incorporate specific advertising campaigns in our media plan that target YBS publications. Additionally, we provide content in one issue of our customer magazine, *HeartBeat*, specific to YBS as well as e-newsletters for this segment. A grant program for eligible 4-H and FFA chapters to improve their communities, academic scholarships, and Ag Youth Funding program for 4-H and FFA members continues to play a role in our YBS strategies.

We conduct stockholder advisory meetings annually. One stockholder committee meeting consists of YBS customers only to address the needs of this segment. We continue to evaluate options for providing joint educational programs with other agribusiness and academia associates in the state. The goal for 2022 was to continue working with educational groups that already have strong agricultural education programs. Funds were allocated in 2022 towards enhancement of current public relations and educational events with existing relationships.

Safety and Soundness of the Program

On June 20, 2002, we approved a policy that directed the establishment of programs to provide credit and closely related services to young, beginning, and small farmers, ranchers, or producers or harvesters of aquatic products. Implementation of this policy supported the availability of sound, adequate, and constructive credit and related services for YBS. On September 1, 2002, we implemented our YBS program. Our YBS policy was approved in November 2005. We monitor this program on an ongoing quarterly basis. The overall results of our YBS program have been favorable since implementation. We review its performance on an annual basis and make any necessary changes.

*There are several differences in the methods by which the demographic and FCA Young, Beginning, and Small Farmer data is presented: Young farmers are defined by the FCA as 35 years old or less. The USDA demographic stratification breaks at 34 years. Beginning farmers are defined by the FCA as having 10 years or less farming experience. There is no measurement matching this definition in the USDA Census; however, the census does identify farmers on their current farm less than 10 years. That statistic may include beginning farmers but may also include experienced farmers who have recently changed farmsteads. The FCA Small Farmer definition matches closely with the USDA delineation. The USDA Census of Agriculture is the best source of demographic information within the Association local service area. Even though the statistical results of the census do not match the FCA definitions exactly, they do provide a consistent source of measurement with which to assess Association targets and goals.

FUNDS HELD PROGRAM

FCS Financial, ACA

(Unaudited)

The Association offers a Funds Held Program (Funds Held) that provides for borrowers to make advance payments on designated real estate loans and intermediate-term loans. The following terms and conditions apply to all Funds Held unless the loan agreement, or related documents, between the Association and borrower provide for other limitations.

Payment Application

Loan payments received by the Association before the loan has been billed will normally be placed into Funds Held and applied against the next installment due. Loan payments received after the loan has been billed will be directly applied to the installment due on the loan and related charges, if any. Funds received in excess of the billed amount will be placed into Funds Held unless the borrower has specified the funds to be applied as a special prepayment of principal.

When a loan installment becomes due, moneys in Funds Held for the loan will be automatically applied toward the installment on the due date. Any accrued interest on Funds Held will be applied first. If the balance in Funds Held does not fully satisfy the entire installment, the borrower must pay the difference by the installment due date.

Account Maximum

The amount in Funds Held may not exceed the lesser of two times the estimated annual payment or the unpaid balance of the related loan(s).

Interest Rate

Interest will accrue on Funds Held at a simple rate of interest that may be changed by the Association from time to time. The interest rate may never exceed the interest rate charged on the related loan. The interest rate paid is the Federal Funds Target rate plus 0.50%.

Interest rates are currently reported on each borrower’s year end loan statement.

Withdrawals

Money in Funds Held may be withdrawn for the following items, depending on the borrower’s loan program:

- Borrowers with real estate loans and intermediate-term loans closed under the loan programs may use Funds Held for future installments, insurance, or real estate taxes on collateral for the respective loan, as well as for other eligible loan purposes.

Association Options

In the event of default on any loan, or if Funds Held exceeds the maximum limit as established above, or if the Association discontinues its Funds Held program, the Association may apply funds in the account to the unpaid loan balance and other amounts due, and shall return any excess funds to the borrowers.

Uninsured Account

Funds Held is not a depository account and is not insured. In the event of Association liquidation, borrowers having balances in Funds Held shall be notified according to FCA Regulations.

Questions: Please direct any questions regarding Funds Held to your local FCS Financial representative.

FCS FINANCIAL ACA
1934 E MILLER ST
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FCS FINANCIAL
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A FARM CREDIT COOPERATIVE

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