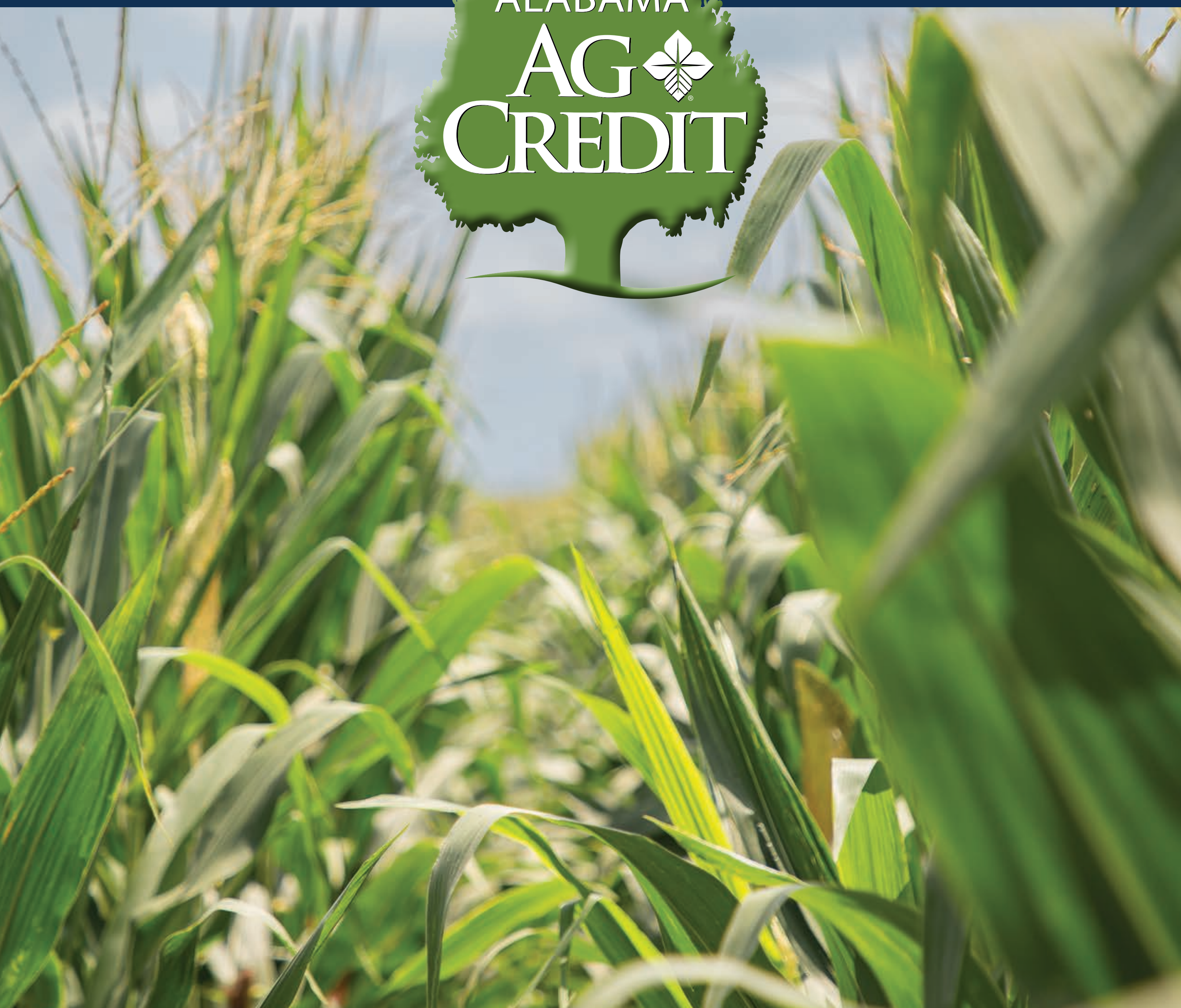
SHOWING OUR WORK

2022 ANNUAL REPORT

ALABAMA AG CREDIT



OUR MISSION IN ACTION

CONTENTS

At Alabama Ag Credit, we strive to fulfill our mission every day. As a financial cooperative, our mission is to provide our customers with sound, constructive credit and financial services in order to enhance the quality of life for people in the agricultural industry and rural Alabama. Our financial strength means that our customers have access to the most up-to-date loan products – from a small loan for a beginning farmer to the largest loan for a multi-generational operation. However, we understand it takes more than just financing to help our rural communities thrive.

Our Association recognizes the economic, cultural, and social needs of our members and surrounding communities. Our board, employees and members donate their time and resources to assist in the rural areas where they live and work. They may help clean up tornado damage or even donate a portion of their own earnings to causes near and dear to their hearts. Understanding that our mission includes enhancing the lives of rural Alabama, we work every day to connect with our communities and be stewards of the land.

Our efforts in 2022 helped our communities in more ways than one, and we were still able to generate record results. Once again, we are proud to return over half of our profits, or about $13.1 million, to our member-borrowers in March. On behalf of our Board of Directors and team of employees, we thank you for supporting Alabama Ag Credit. Like you, we are proud of our team and the mission we serve.

Larry Gibson
Chairman of the Board

Douglas Thiessen
President/Chief Executive Officer

ENVIRONMENT AND SUSTAINABILITY

With 97% of Alabama farms being family owned, sustainability is all about sustaining the land for the next generation.

Alabama Ag Credit works with national, state, and local organizations to promote the sustainable practices that Alabama farmers, ranchers and forest landowners have been voluntarily implementing for generations. Through collaborations with these organizations, we support our members as they invest in innovative ways to enhance climate-smart agriculture and sustainability practices on their own operations.

- Support Down to Earth - an Alabama collaborative public education campaign which answers questions and shares existing sustainability practices in Alabama's agricultural and forestry industries
- Support the Alabama Tree Farm Program - a program for woodland owners who are committed to sustainability by managing their properties for wood, water, wildlife and recreation
- Support for the Alabama Wildlife Federation - an organization that promotes conservation and wise-use of wildlife and natural resources in the state of Alabama

Lenders meet with students to connect the dots between sustainability, farming, and finance at the Down to Earth consumer launch event March 31, 2022.

YOUNG, BEGINNING, AND SMALL FARMERS

We recognize the specific challenges of financing beginning and small farming operations and are committed to working with them as they grow.

A critical component of our mission focuses on providing assistance to young, beginning, and small farmers. Young farmers are defined as those under 36 years of age, beginning farmers are defined as having 10 years or less of experience and small farmers are defined as those having less than $250,000 in annual sales.

$50,000 | AWARDED TO FARMERS through the inaugural JumpStart program for start-up farmers

- Hosted regional outreach events developed by our Young AgVisory board that reached other young farmers in their area
- Supported AL Farmers Federation Young Farmer's programs, FFA, 4-H Youth Programs, AL Forestry Young Leaders, among many other organizations
- Provided free registration to the AgBiz Basics program for over 150 participants

AgBiz BASICS

***Young** AgVisory Council creates an outreach event for young farmers*

***Beginning** farmers being awarded $10,000 JumpStart Grants*

***Small** farmers supported through our Vendor Voucher program and Farmer's Market Week purchases*

DIVERSITY AND INCLUSION

Just over 15% of Alabama farms are operated by minorities. While most of our activities naturally reach out to all farmers, we realize more must always be done to reach potentially underserved markets.

As awareness has grown around the importance of sustainable agriculture and non-traditional farming, we have continued our focus on educational opportunities surrounding these topics. This includes idea-sharing with minority, non-traditional farmers and the general public. When possible, we not only provide monetary support, but also educate participants on programs we offer for financing, through public speaking opportunities and through exhibits staffed with Association personnel ready to engage with attendees.

- Distributed Tuskegee University Scholarship of $5,000 to students pursuing an education in the College of Agriculture (CAENS)
- Participated in a VIP scholarship through Farm Credit and MANRRS to bring interns to our Association
- Supported Urban Ag Programs such as EAT South
- Sponsored and participated in the 2022 Farmers Conference whose theme was "Disparities & Racial Injustices in Agriculture & Rural Communities: Ways Forward"

Khalen Robinson
Credit Analyst

Q&A: KHALEN ROBINSON HUMANIZES LENDING AT ALABAMA AG CREDIT

Article by
Succesful Farming

SCAN TO READ

SUPPORTING OUR RURAL COMMUNITIES

We are committed to the rural communities that our customers and employees call home. Whether this means volunteering at a food bank, or providing disaster relief, we're here to help.

Engaging with the communities we serve is an important part of our mission. We are passionate about rural communities and agriculture. Across the state you will find us joining in on local efforts to make our communities stronger, get more people involved in agriculture and create a brighter future for Alabama producers.

$9,795 | DONATED BY EMPLOYEES during our annual giving campaign to CancerFreeze which helped an employee's two children battle lymphoma

- Supported local mental health programs and promoted training materials focused on mental health and stress management.
- Hosted a wellness accountability program in which employees may earn points by cooking healthy options or exercising together.
- Provided 8 hours of paid time to employees to volunteer in their communities.

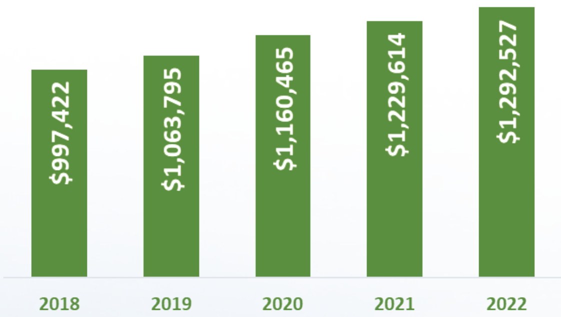
***PJ & Dylan Key** recipients of funds from annual charity campaign*

***Branch Offices** participate in local community activities such as Pumpkin Day, shown above in Enterprise, AL*

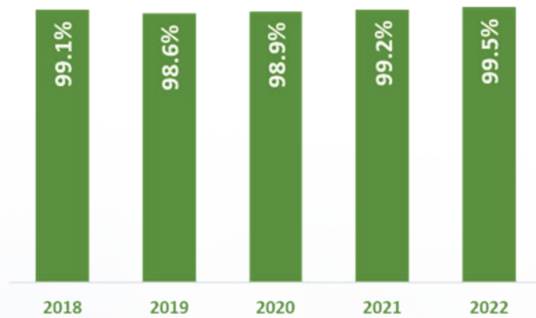
***Pintlala Elementary School** receiving a quarterly luncheon*

FINANCIAL OVERVIEW OF 2022

LOANS IN THOUSANDS



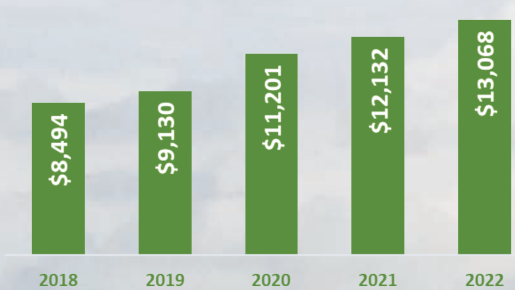
CREDIT QUALITY



RETURN ON SHAREHOLDERS' EQUITY

NET INCOME IN THOUSANDS

PATRONAGE DISTRIBUTION IN THOUSANDS



TOTAL CAPITAL RATIO

REPORT OF MANAGEMENT

The consolidated financial statements of ALABAMA AG CREDIT, ACA (Association) are prepared by management, who is responsible for the statements' 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. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' and the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded, and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, independent accountants, who also conduct a review of internal controls to the extent necessary to comply with auditing standards solely for the purpose of establishing a basis for reliance thereon in determining the nature, extent and timing of audit tests applied in the audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America. The Association is also examined by the Farm Credit Administration.

The board of directors has overall responsibility for the Association's systems of internal control and financial reporting. The board consults regularly with management and reviews the results of the audits and examinations referred to previously.

The undersigned certify that we have reviewed this annual report, that it has been prepared in accordance with all applicable statutory and regulatory requirements, and that the information contained herein is true, accurate and complete to the best of our knowledge or belief.

Douglas Thiessen, President/Chief Executive Officer
March 9, 2023

Larry H. Gibson, Jr., Chairman, Board of Directors
March 9, 2023

Heather Smith, Sr. VP/Chief Financial Officer
March 9, 2023

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Association's chief executive officer and chief financial officer, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's consolidated financial statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its boards 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 of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its consolidated financial statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2022. In making the assessment, management used the framework in Internal Control—Integrated Framework, 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. A review of the assessment performed was reported to the Association's audit committee.

Douglas Thiessen, President/Chief Executive Officer
March 9, 2023

Heather Smith, Sr. VP/Chief Financial Officer
March 9, 2023

REPORT OF AUDIT COMMITTEE

The Audit Committee (committee) is composed of the entire board of directors of Alabama Ag Credit, ACA. In 2022, five committee meetings were held. The committee oversees the scope of Alabama Ag Credit, ACA's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The committee's approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on Alabama Ag Credit, ACA's website. The committee approved the appointment of PricewaterhouseCoopers LLP (PwC) for 2022.

Management is responsible for Alabama Ag Credit, ACA's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are prepared under the oversight of the committee. PwC is responsible for performing an independent audit of Alabama Ag Credit, ACA's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The committee's responsibilities include monitoring and overseeing these processes.

In this context, the committee reviewed and discussed Alabama Ag Credit, ACA's audited consolidated financial statements for the year ended December 31, 2022 (audited consolidated financial statements) with management and PwC. The committee also reviews with PwC the matters required to be discussed by authoritative guidance "The Auditor's Communication With Those Charged With Governance," and both PwC's and Alabama Ag Credit, ACA's internal auditors directly provide reports on significant matters to the committee.

The committee discussed with PwC its independence from Alabama Ag Credit, ACA. The committee also reviewed the nonaudit services provided by PwC and concluded that these services were not incompatible with maintaining the independent accountant's independence. The committee has discussed with management and PwC such other matters and received such assurances from them as the committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the committee recommended that the board of directors include the audited consolidated financial statements in Alabama Ag Credit, ACA's Annual Report to Stockholders for the year ended December 31, 2022.

Audit Committee Members

Richard M. Stabler, CPA, Chairman
Larry H. Gibson, Jr.
John Carl Sanders
Annie Dee
Richard H. Meadows
Ray Petty
Mark D. Platt
Roman McLeod
Bradfield Evans

March 9, 2023

ALABAMA AG CREDIT, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2022	2021	2020	2019	2018
Balance Sheet Data					
Assets					
Cash	**$ 10**	$ 9	$ 10	$ 11	$ 10
Loans	**1,292,527**	1,229,614	1,160,465	1,063,795	997,422
Less: allowance for loan losses	**8,412**	8,804	8,141	7,758	7,359
Net loans	**1,284,115**	1,220,810	1,152,324	1,056,037	990,063
Investment in and receivable from the Farm Credit Bank of Texas	**24,058**	22,469	20,502	21,182	18,026
Other property owned, net	**-**	-	100	-	45
Other assets	**19,346**	15,658	16,756	18,174	16,777
Total assets	**$ 1,327,529**	$ 1,258,946	$ 1,189,692	$ 1,095,404	$ 1,024,921
Liabilities					
Obligations with maturities of one year or less	**$ 22,373**	$ 21,351	$ 19,603	$ 17,718	$ 15,402
Obligations with maturities greater than one year	**1,084,114**	1,027,316	970,073	886,771	827,639
Total liabilities	**1,106,487**	1,048,667	989,676	904,489	843,041
Members' Equity					
Capital stock and participation certificates	**4,485**	4,438	4,289	4,196	4,114
Unallocated retained earnings	**216,119**	206,271	196,386	187,094	177,746
Accumulated other comprehensive income (loss)	**438**	(430)	(659)	(375)	20
Total members' equity	**221,042**	210,279	200,016	190,915	181,880
Total liabilities and members' equity	**$ 1,327,529**	$ 1,258,946	$ 1,189,692	$ 1,095,404	$ 1,024,921
Statement of Income Data					
Net interest income	**$ 32,676**	$ 31,271	$ 29,207	$ 28,463	$ 28,916
(Provision for loan losses) loan loss reversal	**260**	(614)	(813)	(420)	(792)
Income from the Farm Credit Bank of Texas	**7,991**	7,356	6,123	4,796	4,136
Other noninterest income	**517**	603	1,266	651	763
Noninterest expense	**(18,508)**	(16,598)	(15,261)	(14,375)	(13,576)
Net income (loss)	**$ 22,936**	$ 22,018	$ 20,522	$ 19,115	$ 19,447
Key Financial Ratios for the Year					
Return on average assets	**1.8%**	1.8%	1.8%	1.8%	1.9%
Return on average members' equity	**10.4%**	10.6%	10.3%	10.0%	10.8%
Net interest income as a percentage of average earning assets	**2.6%**	2.6%	2.6%	2.7%	2.9%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.0%	0.0%	0.0%	0.0%

ALABAMA AG CREDIT, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2022	2021	2020	2019	2018
Key Financial Ratios at Year End *					
Members' equity as a percentage of total assets	**16.7%**	16.7%	16.8%	17.4%	17.8%
Debt as a percentage of members' equity	**500.6%**	498.7%	494.8%	473.8%	463.5%
Allowance for loan losses as a percentage of loans	**0.7%**	0.7%	0.7%	0.7%	0.7%
Common equity tier 1 ratio	**15.4%**	15.6%	16.0%	16.5%	16.8%
Tier 1 capital ratio	**15.4%**	15.6%	16.0%	16.5%	16.8%
Total capital ratio	**16.0%**	16.3%	16.7%	17.2%	17.5%
Permanent capital ratio	**15.5%**	15.7%	16.1%	16.6%	16.9%
Tier 1 leverage ratio	**15.6%**	15.9%	16.3%	16.7%	16.9%
UREE leverage ratio	**15.3%**	17.0%	17.4%	17.8%	18.0%
Net Income Distribution					
Patronage dividends:					
Cash	**$ 12,132**	$ 11,201	$ 9,767	$ 9,130	$ 8,494

* The Association’s ratios remained well above the regulatory minimums, including the conservation and leverage buffers at December 31, 2022. For more information, see Note 9 in the accompanying consolidated financial statements, “Members Equity” included in this annual report.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Unaudited)

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Alabama Ag Credit, ACA, including its wholly owned subsidiaries, Alabama Ag Credit, PCA and Alabama Ag Credit, FLCA (collectively called the Association) for the years ended December 31, 2022, 2021 and 2020, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying financial statements were prepared under the oversight of the Association's audit committee.

Forward-Looking Information:

This annual information statement contains 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 "anticipates," "believes," "could," "estimates," "may," "should," "will" or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international and farm-related business sectors;
- weather-related, disease-related and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry and the Farm Credit System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government and government-sponsored enterprises; and
- actions taken by the Federal Reserve System in implementing monetary policy.

Significant Events:

The United States has been operating under a presidentially declared emergency since March 13, 2020, due to the Coronavirus Disease 2019 (also referred to as COVID-19). The potential impact of COVID-19 on the global, U.S. and local economies creates a high degree of economic uncertainty with business disruptions in supply chains in both the non-ag and the ag sectors. The Farm Credit Bank of Texas (Bank) and the Association continue during these unprecedented times to fulfill their mission to support agriculture and rural communities by providing access to reliable and consistent credit. The Bank has been able to maintain access to the financial markets to redeem and replace preferred-stock and callable debt and fund incremental needs. There have been no significant changes to its funding strategies or interest rate risk profile. The credit quality of the Bank's loan portfolio continues to remain strong and capital levels remain strong as well.

As discussed further in the "Liquidity and Funding Sources" and "Relationship with the Farm Credit Bank of Texas" sections of Management's Discussion and Analysis, the Association relies on the Bank as its primary source of funding for its operations, and is therefore impacted by these factors that affect the Bank. The Association is closely monitoring its loan portfolio overall and is particularly focused on sectors that may be pressured by COVID-19 and its related economic impacts. The Association will continue to evaluate its allowance for loan losses as changes in outlook occur. Through December 31, 2022, and the date of this report, the Association's loan portfolio has maintained strong credit quality. In addition, capital levels remain strong to address adversity and support continuing loan demand. The Association has taken actions to provide relief to many Association borrowers affected by COVID-19. Servicing actions include deferring payments, extending terms, providing additional liquidity, and a temporary moratorium on foreclosures that expired at the end of the second quarter of 2020.

Operationally, the Association continues to function as normal during these challenging times. The Association has witnessed the benefits of past and current technology initiatives that allow Association personnel to work remotely and support both their families and their customer base. The Association's internal controls over financial reporting and disclosure controls and procedures continue to operate effectively, and no material changes to the controls or financial systems have occurred or are contemplated. The Association will continue to monitor the potential impact of COVID-19.

In March 2022, the Association paid a patronage of $12,152,884 in cash from 2021 earnings to the Association's stockholders and in December 2022 declared another patronage of $13,068,058 from 2022 earnings to be paid in March 2023. In December 2022, the

Association received a direct loan patronage of $6,899,848 from the Bank, representing approximately 64 basis points on the average daily balance of the Association's direct loan with the Bank. During 2022, the Association received $472,649 in interest credit patronage payments from the Bank, based on the Association's stock investment in the Bank. Also during 2022, the Association received a capital markets patronage of $452,662 from the Bank, representing 100 basis points on the year's average daily balance of participations in capital markets loans with patronage commitments.

In March 2021, the Association paid a patronage of $11,194,069 in cash from 2020 earnings to the Association's stockholders and in December 2021 declared another patronage of $12,132,310 from 2021 earnings to be paid in March 2022. In December 2021, the Association received a direct loan patronage of $6,377,901 from the Bank, representing approximately 63 basis points on the average daily balance of the Association's direct loan with the Bank. During 2021, the Association received $372,061 in interest credit patronage payments from the Bank, based on the Association's stock investment in the Bank. Also during 2021, the Association received a capital markets patronage of $425,091 from the Bank, representing 100 basis points on the year's average daily balance of participations in capital markets loans with patronage commitments.

In March 2020, the Association paid a patronage of $9,795,999 in cash from 2019 earnings to the Association's stockholders and in December 2020 declared another patronage of $11,201,017 from 2020 earnings to be paid in March 2021. In December 2020, the Association received a direct loan patronage of $5,108,308 from the Bank, representing 54.75 basis points on the average daily balance of the Association's direct loan with the Bank. During 2020, the Association received $433,165 in interest credit patronage payments from the Bank, based on the Association's stock investment in the Bank. Also during 2020, the Association received a capital markets patronage of $406,617 from the Bank, representing 100 basis points on the year's average daily balance of participations in capital markets loans with patronage commitments.

The Association has continued to provide its members with quality financial services. The board of directors and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans. These loan products are available to eligible borrowers with fixed and adjustable interest rates and loan maturities ranging up to 40 years. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

The Association's loan portfolio is stated at recorded investment (principal less funds held) and consisted of 5,738 loans at December 31, 2022. Total loan volume as of December 31, 2022, 2021 and 2020 was $1,292,527,515, $1,229,614,367 and $1,160,464,933, respectively. The principal commodities comprising the Association's loan portfolio are timber, cattle, poultry and field crops. The composition of the Association's loan portfolio, including borrower profile, geographic distribution, commodity concentrations and asset quality, is described more fully in detailed tables in Note 3 to the financial statements, "Loans and Allowance for Loan Losses," included in this annual report.

In July 2017, the United Kingdom's Financial Conduct Authority, the authority regulating the London Inter-Bank Offered Rate (LIBOR), announced that it will stop persuading or compelling banks to submit rates for the calculation of the LIBOR after 2021. Since this announcement, central banks around the world, including the Federal Reserve, have commissioned working groups with the goal of finding suitable replacements for LIBOR. In the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee (ARRC) of the Federal Reserve Board and the Federal Reserve Bank of New York. Specifically, the ARRC has proposed the Secured Overnight Financing Rate (SOFR) as the recommended alternative to LIBOR. SOFR is based on a broad segment of the overnight Treasury repurchase market and is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The Bank and its affiliated associations are currently evaluating the impacts of a potential phase-out of the LIBOR benchmark interest rate, including the possibility of using SOFR as an alternative to LIBOR. The transition from LIBOR to SOFR is expected to be complex and to include the development of term and credit adjustments to minimize, to the extent possible, discrepancies between LIBOR and SOFR. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the trading market for LIBOR based instruments, including certain of the Farm Credit System debt securities, the Bank's borrowings, loans, investments, derivatives, and other Bank assets and liabilities that are indexed to LIBOR. On December 18, 2020, the FCA posted an informational memorandum providing guidance to System institutions on the transition away from LIBOR, in which they emphasized that the IBA proposal is not intended to slow down the transition and that System institutions should continue reducing LIBOR exposures as soon as practicable.

System institutions have adopted transition plans with steps and timeframes to accomplish the following:

- reduce LIBOR exposure,
- stop the inflow of new LIBOR volume,
- develop and implement loan products with alternative reference rates,
- assess and, if necessary, revise fallback language on legacy LIBOR indexed loans and contracts,
- adjust operations processes, including accounting and management information systems to handle alternative reference rates, and
- communicate pending or imminent changes to customers, as appropriate.

The Bank established a LIBOR Workgroup, with cross-functional representation from the finance, operations, credit and legal departments. The LIBOR Workgroup is progressing in implementing its transition plan to an alternative benchmark rate. In late 2020, the Funding Corporation launched an alternative benchmark rate based on SOFR as an alternative to LIBOR. The rate is a monthly reset variable rate index and is published on the Funding Corporation's website. As of December 31, 2022, the Association had $72.5 million in loan volume tied to the new index.

The Association's Asset/Liability Committee (ALCO) serves as the primary workgroup to address all matters related to the phase-out of LIBOR for the Association. ALCO is comprised of the Chief Executive Officer (CEO), Chief Credit Officer (CCO), Chief Financial Officer (CFO), and Chief Relationship Officer (CRO). Other resources will also be engaged as needed. The Association is actively working to reduce exposure to LIBOR, primarily by converting existing LIBOR loans to other rate products and ensuring all note agreements contain appropriate legal language allowing the change to a different index. At December 31, 2022, the Association's portfolio included LIBOR-indexed volume of $27,087,847, representing approximately 2.1 percent of the loan portfolio.

Purchase and Sales of Loans:

During 2022, 2021 and 2020, the Association was participating in loans with other lenders. As of December 31, 2022, 2021 and 2020, these participations totaled $95,319,878, $69,199,270 and $66,362,690, or 7.4 percent, 5.6 percent and 5.7 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the Texas Farm Credit District (district) of $0, $0 and $343,229, or 0.0 percent, 0.0 percent and 0.0 percent of loans, respectively. The Association has also sold participations of $66,479,334, $58,125,326 and $66,392,397 as of December 31, 2022, 2021 and 2020, respectively.

Risk Exposure:

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned, net.

The following table illustrates the Association's components and trends of high-risk assets serviced for the prior three years as of December 31:

	2022		2021		2020	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual	**$ 1,285,695**	**18.8%**	$ 4,056,983	46.6%	$ 7,775,295	96.3%
Formally restructured	**5,559,397**	**81.2%**	4,642,443	53.4%	203,799	2.5%
Other property owned, net	**-**	**0.0%**	-	0.0%	100,000	1.2%
Total	**$ 6,845,092**	**100.0%**	$ 8,699,426	100.0%	$ 8,079,094	100.0%

At December 31, 2022, 2021 and 2020, loans that were considered impaired were $6,845,092, $8,699,426 and $7,979,094, representing 0.5 percent, 0.7 percent and 0.7 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net.

Other property owned, net, consisted of one property as of December 31, 2020, which had been sold as of December 31, 2021.

Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, the Association is not affected by any seasonal characteristics. The factors affecting the operations of the Association are the same factors that would affect any agricultural or rural real estate lender. To help mitigate and diversify credit risk, the Association has employed practices including obtaining credit guarantees and engaging in loan participations. The Association also has the option of securitizing loans if considered prudent to manage risk.

Allowance for Loan Losses:

The following table provides relevant information regarding the allowance for loan losses as of, or for the year ended, December 31:

	2022	2021	2020
Allowance for loan losses	**$ 8,412,353**	$ 8,804,126	$ 8,140,866
Allowance for loan losses to total loans	**0.7%**	0.7%	0.7%
Allowance for loan losses to nonaccrual loans	**654.3%**	217.0%	104.7%
Allowance for loan losses to impaired loans	**122.9%**	101.2%	102.0%
Net charge-offs to average loans	**0.0%**	0.0%	0.0%

The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management may consider other qualitative factors in determining and supporting the level of allowance for loan losses including but not limited to: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects, borrower repayment capacity, depth of lender staff, and/or past trends, and weather-related influences.

Based upon ongoing risk assessment and the allowance for loan losses procedures outlined above, the allowance for loan losses of $8,412,353, $8,804,126 and $8,140,866 at December 31, 2022, 2021 and 2020, respectively, is considered adequate by management to compensate for inherent losses in the loan portfolio at such dates.

Results of Operations:

The Association's net income for the year ended December 31, 2022, was $22,935,721 as compared to $22,017,688 for the year ended December 31, 2021, reflecting an increase of $918,033, or 4.2 percent. The Association's net income for the year ended December 31, 2020 was $20,521,652. Net income increased $1,496,036, or 7.3 percent, in 2021 versus 2020.

Net interest income for 2022, 2021 and 2020 was $32,676,251, $31,270,592 and $29,206,523, respectively, reflecting increases of $1,405,659, or 4.5 percent, for 2022 versus 2021 and $2,064,069, or 7.1 percent, for 2021 versus 2020. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2022		2021		2020	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 1,271,848,212**	**$ 58,144,679**	$1,205,565,963	$ 52,366,901	$1,114,407,502	$ 52,889,413
Interest-bearing liabilities	**1,071,600,517**	**25,468,428**	1,013,964,904	21,096,309	933,563,686	23,682,890
Impact of capital	**$ 200,247,695**		$ 191,601,059		$ 180,843,816	
Net interest income		**$ 32,676,251**		$ 31,270,592		$ 29,206,523

	2022 Average Yield	2021 Average Yield	2020 Average Yield
Yield on loans	**4.57%**	4.34%	4.75%
Cost of interest-bearing liabilities	**2.37%**	2.08%	2.54%
Interest rate spread	**2.20%**	2.26%	2.21%
Impact of capital	**0.37%**	0.33%	0.41%
Net interest income/average earning assets	**2.57%**	2.59%	2.62%

	2022 vs. 2021			2021 vs. 2020		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ 2,878,590**	**$ 2,899,188**	**$ 5,777,778**	$ 4,319,546	$ (4,842,058)	$ (522,512)
Interest expense	**1,199,167**	**3,172,952**	**4,372,119**	2,039,618	(4,626,199)	(2,586,581)
Net interest income	**$ 1,679,423**	**$ (273,764)**	**$ 1,405,659**	$ 2,279,928	$ (215,859)	$ 2,064,069

Interest income for 2022 increased by $5,777,778, or 11.0 percent, compared to 2021, primarily due to increases to rates and average loan volume. The Association recognized interest income of $252,863 from nonaccrual loans in 2022. Without the additional nonaccrual interest income, the yield on loans for 2022 would have been 4.54 percent, interest rate spread would have been 2.17 percent, and net interest income/average earning assets would have been 2.54 percent. Interest expense for 2022 increased by $4,372,119, or 20.7 percent, compared to 2021 due to increases to the cost of debt and the increase in average loan volume. The interest rate spread decreased by 6 basis points to 2.20 percent in 2022 from 2.26 percent in 2021, primarily because of the rising interest rate environment. The interest rate spread increased by 5 basis points to 2.26 percent in 2021 from 2.21 percent in 2020, primarily because low interest rates and high demand for lending created a favorable lending environment.

Interest income for 2021 decreased by $522,519, or 1.0 percent, compared to 2020, primarily due to decreases in rates offset by increases in average loan volume. The Association recognized interest income of $618,414 from nonaccrual loans in 2021. Without the additional nonaccrual interest income, the yield on loans for 2021 would have been 4.29 percent, interest rate spread would have been 2.21 percent, and net interest income/average earning assets would have been 2.54 percent. Interest expense for 2021 decreased by $2,586,581, or 10.9 percent, compared to 2020 due to a decrease in the cost of debt partially offset by increases in average loan volume.

Noninterest income for 2022 increased by $547,805, or 6.9 percent, compared to 2021, due primarily to increased patronage from the Bank and gains on sales of equipment. Noninterest income for 2021 increased by $593,491, or 8.1 percent, compared to 2020, due primarily to increased patronage from the Bank. Patronage from the Bank increased primarily as a result of a higher average direct loan with the Bank during 2022 as compared to 2021, as well as 2021 as compared to 2020. Loan fees decreased in 2022 as compared to 2021 as a result of a significant decrease in the number of interest rate conversions due to the higher rate environment.

Provisions for loan losses decreased by $874,234, or 142.3 percent, compared to 2021, due primarily to a reduction in the collective impairment pool for cattle and a decrease in the specific allowances on loans. Provisions for loan losses decreased by $198,342, or 24.4 percent, compared to 2020, even though there were more impaired loans in 2021 compared to 2020.

Operating expenses consist primarily of salaries, employee benefits and purchased services. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others. Operating expenses increased by $1,909,665 or 11.5 percent, from 2021 to 2022. The increase was primarily due to a $532,480 increase in Insurance Fund premiums, resulting from an increase in the premium rates from 16 basis points in 2021 to 20 basis points in 2022. Salaries and benefits also increased by $527,423 from 2021 to 2022 as the workforce was expanded. Additional increases were seen in occupancy and equipment, due to the new administrative office space, and travel expenses due to increased costs and additional travel incurred. Operating expenses increased by $1,359,866 or 8.9 percent, from 2020 to 2021. The increase was primarily due to a $706,934 increase in Insurance Fund premiums, resulting from an increase in the premium rates from 11 basis points in 2020 to 16 basis points in 2021. For further detail on the Association's employee benefit plans, see Note 2, "Summary of Significant Accounting Policies" and Note 11, "Employee Benefit Plans," to the consolidated financial statements included in this annual report.

Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in the capitalization of $1,353,009, $1,815,198 and $1,614,971 for 2022, 2021 and 2020, respectively, in origination costs, which will be amortized over the life of the loans as an adjustment to yield in net interest income. The capitalized costs consisted of salaries and benefits totaling $1,398,418, $1,588,796 and $1,395,305, related to the origination of loans.

For the year ended December 31, 2022, the Association's return on average assets was 1.8 percent, as compared to 1.8 percent and 1.8 percent for the years ended December 31, 2021 and 2020, respectively. For the year ended December 31, 2022, the Association's return on average members' equity was 10.4 percent, as compared to 10.5 percent and 10.3 percent for the years ended December 31, 2021 and 2020, respectively.

Because the Association depends on the Bank for funding, any significant positive or negative factors affecting the operations of the Bank may have an effect on the operations of the Association.

Liquidity and Funding Sources:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process.

The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $1,081,493,220, $1,025,517,581 and $968,268,302 as of December 31, 2022, 2021 and 2020, respectively, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 2.86 percent, 2.00 percent and 2.17 percent at December 31, 2022, 2021 and 2020, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2021, is due to increased loan volume and associated interest rate increases. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $211,993,843, $204,959,259 and $192,858,180 at December 31, 2022, 2021 and 2020, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2022, was $1,300,177,113 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2023, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances, to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 2023. As borrower payments are received, they are applied to the Association's note payable to the Bank.

The Association will continue to fund its operations through direct borrowings from the Bank, capital surplus from prior years and borrower stock. It is management's opinion that funds available to the Association are sufficient to fund its operations for the coming year.

Capital Resources:

The Association's capital position remains strong, with total members' equity of $221,041,770, $210,279,336 and $200,016,157 at December 31, 2022, 2021 and 2020, respectively. Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-weighted assets as defined by the FCA. The permanent capital ratio measures available at-risk capital relative to risk-weighted assets and off-balance-sheet contingencies. The Association is required to maintain a minimum common equity tier 1 (CET1), tier 1 capital, and total capital ratios of 4.5 percent, 6.0 percent, and 8.0 percent, along with a capital conservation buffer of 2.5 percent applicable to each ratio, respectively. The Association's common equity tier 1 ratio was 15.4 percent, tier 1 capital ratio was 15.4 percent, and total capital ratio was 16.0 percent at December 31, 2022. The Association is required to maintain a minimum tier 1 leverage ratio of 4.0 percent, along with a leverage buffer of 1.0 percent, and a minimum UREE leverage ratio of 1.5 percent. The Association's tier 1 leverage ratio was 15.6 percent and UREE leverage ratio was 15.3 percent at December 31, 2022. The CET1 capital ratio is an indicator of the institution's highest quality of capital and consists of unallocated retained earnings, qualifying common cooperative equities (CCEs) that meet the required holding periods, and paid-in capital. The tier 1 capital ratio is a measure of the institution's quality of capital and financial strength. The total capital ratio is supplementary to the tier 1 capital ratio, the components of which include qualifying CCEs subject to certain holding periods, third-party capital subject to certain holding periods and limitations, and allowance and reserve for credit losses subject to certain limitations. The tier 1 leverage ratio is used to measure the amount of leverage an institution has incurred against its capital base, of which at least 1.5 percent must be unallocated retained earnings (URE) and URE equivalents. This is the UREE leverage ratio.

Regulatory ratios remained well above regulatory minimums, including the conservation and leverage buffers at December 31, 2021. The following table reflects the Association's capital ratios at December 31:

	2022	2021	2020	Regulatory Minimums
Common equity tier 1 ratio	**15.4%**	15.6%	16.0%	7.0%
Tier 1 capital ratio	**15.4%**	15.6%	16.0%	8.5%
Total capital ratio	**16.0%**	16.3%	16.7%	10.5%
Permanent capital ratio	**15.5%**	15.7%	16.1%	7.0%
Tier 1 leverage ratio	**15.6%**	15.9%	16.3%	5.0%
UREE leverage ratio	**15.3%**	17.0%	17.4%	1.5%

Significant Recent Accounting Pronouncements: Refer to Note 2 – "Summary of Significant Accounting Policies" in this annual report for disclosures of recent accounting pronouncements that may impact the Association's consolidated financial position and results of operations and for critical accounting policies.

Regulatory Matters:

At December 31, 2022, the Association was not under written agreements with the Farm Credit Administration.

On May 9, 2022, the FCA published a final rule in the Federal Register on amending certain regulations to address changes in accounting principles generally accepted in the United States. Such changes reflect the current expected credit losses (CECL) methodology that will replace the incurred loss methodology upon adoption. Credit loss allowances related to loans, lessor's net investments in leases, and held-to-maturity debt securities have been defined as adjusted allowances for credit losses and will be included in the Association's Tier 2 capital up to 1.25% of the Association's total risk-weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets would not be eligible for inclusion in the Association's Tier 2 capital. In addition, the final rule does not include a transition phase-in period for the CECL day 1 cumulative effect adjustment to retained earnings on the Association's regulatory capital ratios. The rule became effective on January 1, 2023.

On June 16, 2022, the FCA published in the Federal Register a proposed rule to restructure and revise its regulations governing the Farm Credit System's service to young, beginning and small (YBS) farmers and ranchers. The comment period ended on August 15, 2022.

Relationship With the Bank:

The Association's statutory obligation to borrow only from the Bank is discussed in Note 10 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank's ability to access capital of the Association is discussed in Note 2 to the consolidated financial statements, "Summary of Significant Accounting Policies," included in this annual report, within the section "Capital Stock Investment in the Bank."

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis and in Note 8 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank provides computer systems to support the critical operations of all district associations. In addition, each association has operating systems and facility-based systems that are not supported by the Bank. As disclosed in Note 12 to the consolidated financial statements, "Related Party Transactions," included in this annual report, the Bank provides many services that the Association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, the Bank bills district expenses to the associations, such as the Farm Credit System Insurance Corporation insurance premiums.

Summary:

Regardless of the state of the agricultural economy, your Association's board of directors and management, as well as the board of directors and management of the Bank, have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this Association.

Report of Independent Auditors

To the Board of Directors of Alabama Ag Credit, ACA

Opinion

We have audited the accompanying consolidated financial statements of Alabama Ag Credit, ACA and its subsidiaries (the "Association"), which comprise the consolidated balance sheets as of December 31, 2022, 2021 and 2020, and the related consolidated statements of comprehensive 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.

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

Austin, Texas
March 9, 2023

ALABAMA AG CREDIT, ACA

CONSOLIDATED BALANCE SHEET

	December 31,		
	2022	2021	2020
Assets			
Cash	**$ 10,074**	$ 8,686	$ 10,343
Loans	**1,292,527,515**	1,229,614,367	1,160,464,933
Less: allowance for loan losses	**8,412,353**	8,804,126	8,140,866
Net loans	**1,284,115,162**	1,220,810,241	1,152,324,067
Accrued interest receivable	**10,874,358**	8,457,988	9,660,163
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**21,327,170**	20,155,010	18,541,250
Accrued patronage receivable	**167,975**	181,005	406,617
Other	**2,562,575**	2,132,556	1,553,862
Other property owned, net	**-**	-	100,000
Premises and equipment	**6,551,637**	6,308,781	6,264,322
Other assets	**1,920,291**	891,353	831,976
Total assets	**$ 1,327,529,242**	$ 1,258,945,620	$ 1,189,692,600
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 1,081,493,220**	$ 1,025,517,581	$ 968,268,302
Accrued interest payable	**2,621,259**	1,798,078	1,804,407
Drafts outstanding	**-**	146,759	203,007
Patronage distributions payable	**13,092,453**	12,139,695	11,201,454
Other liabilities	**9,280,540**	9,064,171	8,199,273
Total liabilities	**1,106,487,472**	1,048,666,284	989,676,443
Members' Equity			
Capital stock and participation certificates	**4,484,775**	4,437,945	4,289,225
Unallocated retained earnings	**216,118,555**	206,271,466	196,386,088
Accumulated other comprehensive income (loss)	**438,440**	(430,075)	(659,156)
Total members' equity	**221,041,770**	210,279,336	200,016,157
Total liabilities and members' equity	**$ 1,327,529,242**	$ 1,258,945,620	$ 1,189,692,600

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2022	2021	2020
Interest Income			
Loans	**$ 58,144,679**	$ 52,366,901	$ 52,889,413
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**25,468,428**	21,096,309	23,682,890
Net interest income	**32,676,251**	31,270,592	29,206,523
Provision for loan losses (loan loss reversal)	**(259,914)**	614,320	812,662
Net interest income after provision for losses (loan loss reversal)	**32,936,165**	30,656,272	28,393,861
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**7,990,540**	7,356,308	6,122,990
Loan fees	**193,788**	423,662	880,675
Refunds from Farm Credit System Insurance Corporation			
Financially related services income	**1,939**	1,072	1,149
Gain (loss) on other property owned, net	**-**	52,020	(22,654)
Gain on sale of premises and equipment, net	**209,468**	55,246	61,093
Other noninterest income	**111,773**	71,395	322,959
Total noninterest income	**8,507,508**	7,959,703	7,366,212
Noninterest Expenses			
Salaries and employee benefits	**10,637,258**	10,109,835	9,914,845
Directors' expense	**392,438**	370,826	338,104
Purchased services	**568,824**	592,456	617,066
Travel	**932,090**	720,490	529,694
Occupancy and equipment	**1,377,722**	1,031,503	917,854
Communications	**356,863**	356,326	350,459
Advertising	**385,425**	377,979	386,594
Public and member relations	**715,461**	467,034	426,229
Supervisory and exam expense	**422,514**	392,451	376,687
Insurance Fund premiums	**2,249,540**	1,717,060	1,010,126
Other components of net periodic postretirement benefit cost	**174,176**	122,753	102,108
Other noninterest expense	**295,641**	339,574	268,655
Total noninterest expenses	**18,507,952**	16,598,287	15,238,421
NET INCOME	**22,935,721**	22,017,688	20,521,652
Other comprehensive income:			
Change in postretirement benefit plans	**868,515**	229,081	(283,733)
COMPREHENSIVE INCOME	**$ 23,804,236**	$ 22,246,769	$ 20,237,919

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2019	$ 4,196,475	$ 187,094,401	$ (375,423)	$ 190,915,453
Net income	-	20,521,652	-	20,521,652
Other comprehensive income	-	-	(283,733)	(283,733)
Capital stock/participation certificates issued	872,860	-	-	872,860
Capital stock/participation certificates retired	(780,110)	-	-	(780,110)
Patronage dividends:				
Cash	-	(11,201,017)	-	(11,201,017)
Change in patronage declared and paid	-	(28,948)	-	(28,948)
Balance at December 31, 2020	4,289,225	196,386,088	(659,156)	200,016,157
Net income	-	22,017,688	-	22,017,688
Other comprehensive income	-	-	229,081	229,081
Capital stock/participation certificates issued	992,040	-	-	992,040
Capital stock/participation certificates retired	(843,320)	-	-	(843,320)
Patronage dividends:				
Cash	-	(12,132,310)	-	(12,132,310)
Change in patronage declared and paid	-	-	-	-
Balance at December 31, 2021	4,437,945	206,271,466	(430,075)	210,279,336
Net income	-	22,935,721	-	22,935,721
Other comprehensive income	-	-	868,515	868,515
Capital stock/participation certificates issued	695,845	-	-	695,845
Capital stock/participation certificates retired	(649,015)	-	-	(649,015)
Patronage dividends:				
Cash	-	(13,068,058)	-	(13,068,058)
Change in patronage declared and paid	-	(20,574)	-	(20,574)
Balance at December 31, 2022	**$ 4,484,775**	**$ 216,118,555**	**$ 438,440**	**$ 221,041,770**

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2022	2021	2020
Cash flows from operating activities:			
Net income	**$ 22,935,721**	$ 22,017,688	$ 20,521,652
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses (loan loss reversal)	**(259,914)**	614,320	812,662
Provision for acquired property	**-**	(36,000)	36,000
Gain on sale of other property owned, net	**-**	(16,020)	(26,312)
Depreciation	**657,996**	465,232	487,022
Gain on sale of premises and equipment, net	**(209,468)**	(55,246)	(60,079)
(Increase) decrease in accrued interest receivable	**(2,416,370)**	1,202,175	1,126,442
(Increase) decrease in other receivables from the Farm Credit Bank	**(416,989)**	(353,082)	1,844,479
(Increase) decrease in other assets	**(186,170)**	(81,739)	93,111
Increase (decrease) in accrued interest payable	**823,181**	(6,329)	(423,908)
Increase in other liabilities	**240,821**	1,139,355	828,388
Net cash provided by operating activities	**21,168,808**	24,890,354	25,239,457
Cash flows from investing activities:			
Increase in loans, net	**(63,204,501)**	(69,097,404)	(97,206,246)
Cash recoveries of loans previously charged off	**35,268**	41,911	40,390
Proceeds from purchase of investment in the Farm Credit Bank of Texas	**(1,172,160)**	(1,613,760)	(1,163,820)
Purchases of premises and equipment	**(879,671)**	(516,385)	(443,842)
Proceeds from sales of premises and equipment	**313,808**	107,945	170,969
Proceeds from sales of other property owned	**-**	38,000	-
Net cash used in investing activities	**(64,907,256)**	(71,039,693)	(98,602,549)

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2022	2021	2020
Cash flows from financing activities:			
Net draws on note payable to the Farm Credit Bank of Texas	**55,975,639**	57,249,279	83,725,199
Decrease in drafts outstanding	**(146,759)**	(56,248)	(659,894)
Issuance of capital stock and participation certificates	**670,205**	992,040	872,860
Retirement of capital stock and participation certificates	**(623,375)**	(843,320)	(780,110)
Patronage distributions paid	**(12,135,874)**	(11,194,069)	(9,795,999)
Net cash provided by financing activities	**43,739,836**	46,147,682	73,362,056
Net increase (decrease) in cash	**1,388**	(1,657)	(1,036)
Cash at the beginning of the year	**8,686**	10,343	11,379
Cash at the end of the year	**$ 10,074**	$ 8,686	$ 10,343
Supplemental schedule of noncash investing and financing activities:			
Financed sales of other property owned	**$ -**	$ 150,500	$ -
Loans transferred to other property owned	**-**	36,480	136,000
Loans charged off	**165,832**	15,985	444,069
Patronage distributions declared	**13,068,058**	12,132,310	11,201,017
Change in AOCI	**868,515**	(229,081)	283,733
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	**$ 24,645,247**	$ 21,102,638	$ 24,340,240

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Alabama Ag Credit, ACA including its wholly owned subsidiaries, Alabama Ag Credit, PCA and Alabama Ag Credit, FLCA (collectively called “the Association”), is a member-owned cooperative that provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in the counties of Autauga, Baldwin, Barbour, Bibb, Bullock, Butler, Chambers, Chilton, Choctaw, Clarke, Coffee, Conecuh, Coosa, Covington, Crenshaw, Dale, Dallas, Elmore, Escambia, Geneva, Greene, Hale, Henry, Houston, Lee, Lowndes, Macon, Marengo, Mobile, Monroe, Montgomery, Perry, Pickens, Pike, Russell, Sumter, Tallapoosa, Tuscaloosa, Washington and Wilcox in the state of Alabama.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). At December 31, 2022, the System consisted of three Farm Credit Banks (FCBs) and their affiliated associations, one Agricultural Credit Bank (ACB) and its affiliated associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation) and various service and other organizations.

The Farm Credit Bank of Texas (Bank) and its related associations are collectively referred to as the “district.” The Bank provides funding to all associations within the district and is responsible for supervising certain activities of the district associations. At December 31, 2022, the district consisted of the Bank, one FLCA and 13 ACA parent companies, which have two wholly owned subsidiaries, an FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

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

The Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations, (2) to ensure the retirement of protected borrower capital at par or stated value and (3) for other specified purposes. The Insurance Fund is also available for the discretionary uses by the FCSIC of providing assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the “secure base amount,” which is defined in the Farm Credit Act as 2.0 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or other such percentage of the aggregate obligations as the Insurance Corporation in its sole discretion determines to be actuarially sound. Under the Farm Credit Act, as amended, the FCSIC may return excess funds above the secure base amount to System banks, which may be passed on to the Association.

FCA regulations require borrower information to be held in strict confidence by Farm Credit institutions, their directors, officers and employees. Directors and employees of the Farm Credit institutions are prohibited, except under specified circumstances, from disclosing nonpublic personal information about members.

B. Operations: The Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services that can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related businesses. The Association makes and services short- and intermediate-term loans for agricultural production or operating purposes, and secured long-term real estate mortgage loans, with funding from the Bank.

The Association also serves as an intermediary in offering credit life and term life insurance to borrowers.

The Association's financial condition may be affected by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect stockholders' investments in the Association. Upon request, stockholders of the Association will be provided with the Farm Credit Bank of Texas Annual Report to Stockholders.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation and Consolidation
The consolidated financial statements (the "financial statements") of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In consolidation, all significant intercompany accounts and transactions are eliminated, and all material wholly-owned and majority-owned subsidiaries are consolidated unless GAAP requires otherwise.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses; the valuation of deferred tax assets; the determination of fair value of financial instruments and subsequent impairment analysis.

The accounting and reporting policies of the Association conform to GAAP and prevailing practices within the banking industry. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results could differ from those estimates. Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year's financial statement presentation. The consolidated financial statements include the accounts of Alabama Ag Credit, PCA and Alabama Ag Credit, FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. Recently Issued or Adopted Accounting Pronouncements:

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

The entity adopted the FASB guidance entitled "Measurement of Credit Losses on Financial Instruments" on January 1, 2023. This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. The guidance requires management to consider in its estimate of allowance for credit losses (ACL) relevant historical events, current conditions and reasonable and supportable forecasts that affect the collectability of the assets. Prior to the adoption, the allowance for loan losses represented management's estimate of the probable credit losses inherent in its loan portfolio and certain unfunded commitments. In addition, the guidance amends existing impairment guidance for held-to-maturity and available-for-sale investments to incorporate an allowance, which will allow for the reversal of credit impairments in the event that the credit of an issuer improves. The adoption of this guidance resulted in a net increase in the entity's allowance for credit losses of approximately $2,200 and a corresponding decrease in retained earnings.

In March 2020, the FASB issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Reference Rate Reform)." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform to ease the potential burden related to reference rate reform (transition away from the London Inter-Bank Offered Rate (LIBOR)). The optional amendments are effective as of March 12, 2020 through December 31, 2022. The Association applied the optional accounting expedients available under the guidance to debt and derivative contract modifications related to LIBOR transition in the fourth quarter of 2020. The impact of adoption was not material to the Association's financial condition or results of operations. In addition, the Association adopted the optional expedient as it relates to loans during the first quarter of 2021, and the impact of adoption was not material to the Association's financial condition or results of operations.

In January 2021, the FASB issued an update to Reference Rate Reform whereby certain derivative instruments may be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments do not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The Association adopted the guidance in the first quarter of 2021, and the impact was not material to the Association's financial condition or its results of operations.

B. Cash and Cash Equivalents: Cash and cash equivalents, as included in the statement of cash flows, represent cash on hand and deposits at banks.

C. Loans and Allowance for Loan Losses: Long-term real estate mortgage loans generally have original maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and net deferred loan fees or costs. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. Authoritative accounting guidance requires loan origination fees and direct loan origination costs, if material, to be capitalized and the net fee or cost to be amortized over the life of the related loan as an adjustment to yield.

Impaired loans are loans for which it is probable that not all principal and interest will be collected according to the contractual terms of the loan and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. Impaired loans include nonaccrual loans, restructured loans, and loans past due 90 days or more and still accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest and penalty interest incurred as a result of past-due status, is collected or otherwise discharged in full.

A restructured loan constitutes a troubled debt restructuring (TDR) if for economic or legal reasons related to the debtor's financial difficulties the Association grants a concession to the debtor that it would not otherwise consider. A concession is generally granted in order to minimize the Association's economic loss and avoid foreclosure. Concessions vary by program and are borrower-specific and may include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. A loan restructured in a troubled debt restructuring is an impaired loan.

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

Payments received on nonaccrual loans are generally applied to the recorded investment in the loan asset. If collection of the recorded investment in the loan is fully expected and the loan does not have a remaining unrecovered prior charge-off associated with it, the interest portion of payments is recognized as current interest income. Nonaccrual loans may be returned to accrual status when principal and interest are current, the borrower has demonstrated payment performance, and collection of future payments is no longer in doubt. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer is first recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

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

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

The credit risk-rating methodology is a key component of the Association's allowance for loan losses evaluation and is generally incorporated into its loan underwriting standards and internal lending limit. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management may consider other qualitative factors in determining and supporting the level of allowances for loan losses including but not limited to: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects, borrower repayment capacity, depth of lender staff, and/or past trends, and weather-related influences. The allowance for loan losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying security that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity will cause these various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the Association's expectations and predictions of these circumstances.

The allowance for loan losses includes components for loans individually evaluated for impairment and loans collectively evaluated for impairment. Generally, for loans individually evaluated the allowance for loan losses represents the difference between the recorded investment in the loan and the present value of the cash flows expected to be collected discounted at the loan's effective interest rate, or at the fair value of the collateral, less estimated costs to sell, if the loan is collateral-dependent. For those loans collectively evaluated for impairment, the allowance for loan losses is determined using the risk-rating model.

Transfers of an entire financial asset, group of entire financial assets, or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Association, (2) the transferee obtains the right to pledge or exchange the transferred assets, and (3) the Association does not maintain effective control over the transferred assets.

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

D. Capital Stock Investment in the Farm Credit Bank of Texas: The Association's investment in the Bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the Association's proportional utilization of the Bank compared to other district associations. The Bank requires a minimum stock investment of 2 percent of the Association's average borrowing from the Bank. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheet.

   If needed to meet regulatory capital adequacy requirements, the board of directors of the Bank may increase the percentage of stock held by an association from 2 percent of the average outstanding balance of borrowings from the Bank to a maximum of 5 percent of the average outstanding balance of borrowings from the Bank.

E. Other Property Owned, Net: Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, and is recorded at fair value less estimated selling costs upon acquisition and is included in other assets in the consolidated balance sheet. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. On at least an annual basis, revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in net gains (losses) on other property owned in the statements of comprehensive income.

F. Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized.

G. Advance Conditional Payments: The Association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying consolidated balance sheet. Advance conditional payments are not insured. Interest is generally paid by the Association on such accounts at rates established by the board of directors. The Association had advance conditional payments of $20,107,767, $18,605,779 and $14,844,722 at December 31, 2022, 2021 and 2020, respectively, all of which was restricted and therefore was all netted against the related loan balances in the consolidated balance sheet.

H. Employee Benefit Plans: Employees of the Association participate in either the district defined benefit retirement plan (DB plan) or the defined contribution plan (DC plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. Also, the Association sponsors a nonqualified defined contribution 401(k) plan. The DB plan is closed to new participants. Participants generally include employees hired prior to January 1, 1996. The DB plan is noncontributory and provides benefits based on salary and years of service. The "projected unit credit" actuarial method is used for financial reporting and funding purposes for the DB plan.

Participants in the DC plan generally include employees who elected to transfer from the DB plan prior to January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC plan direct the placement of their employers' contributions, 5.0 percent of eligible pay for the year ended December 31, 2022, made on their behalf into various investment alternatives.

The structure of the district's DB plan is characterized as multi-employer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability in the consolidated balance sheet.

The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100 percent of employee contributions up to 3 percent of eligible earnings and to match 50 percent of employee contributions for the next 2 percent of employee contributions, up to a maximum employer contribution of 4 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were $208,920, $286,448 and $285,031 for the years ended December 31, 2022, 2021 and 2020, respectively.

In addition to the DB plan, the DC plan, and the Farm Credit Benefits Alliance 401(k) Plan, the Association sponsors a defined contribution supplemental retirement plan. This plan is a nonqualified 401(k) plan. Therefore, the associated liabilities are included in the Association's consolidated balance sheet in other liabilities.

In addition to pension benefits, the Association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities on the consolidated balance sheet. For further information on the Association's employee benefit plans, see Note 11, "Employee Benefit Plans."

I. Income Taxes: The ACA holding company conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through the wholly owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through the wholly owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income tax. The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. The Association distributes patronage on the basis of book income. Deferred taxes are recorded on the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings.

J. Patronage Refunds from the Farm Credit Bank of Texas: The Association records patronage refunds from the Bank on an accrual basis.

K. Fair Value Measurement: The FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to deferred compensation and the supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate debt securities, and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities, are reported in Level 2.

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 are considered Level 3. These unobservable inputs reflect the reporting entity's own assumptions 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. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

The fair value disclosures are presented in Note 13, "Fair Value Measurements."

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

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans as of December 31 follows:

	2022		2021		2020	
Loan Type	**Amount**	**%**	Amount	%	Amount	%
Real estate mortgage	**$ 1,013,944,826**	**78.4%**	$ 998,985,301	81.2%	$ 938,239,785	80.8%
Production and intermediate term	**126,122,570**	**9.8%**	113,307,883	9.2%	124,885,845	10.8%
Agribusiness:						
Loans to cooperatives	**9,583,687**	**0.7%**	5,625,925	0.5%	6,423,734	0.6%
Processing and marketing	**50,185,010**	**3.9%**	35,054,092	2.9%	31,386,952	2.7%
Farm-related business	**22,718,221**	**1.8%**	22,633,008	1.8%	10,726,553	0.9%
Communication	**-**	**0.0%**	-	0.0%	2,607,511	0.2%
Energy	**1,008,908**	**0.1%**	1,214,708	0.1%	1,375,000	0.1%
Water and waste water	**8,012,493**	**0.6%**	1,336,337	0.1%	1,736,657	0.2%
Rural residential real estate	**58,435,280**	**4.5%**	49,880,090	4.1%	43,082,896	3.7%
Agricultural export finance	**2,516,520**	**0.2%**	1,577,023	0.1%	-	0.0%
Total	**$ 1,292,527,515**	**100.0%**	$ 1,229,614,367	100.0%	$ 1,160,464,933	100.0%

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding participations purchased and sold as of December 31, 2022:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 6,724,043	$ 24,857,139	$ -	$ -	$ 6,724,043	$ 24,857,139
Production and intermediate term	17,432,808	701,366	-	-	17,432,808	701,366
Agribusiness	59,625,106	40,920,829	-	-	59,625,106	40,920,829
Energy	1,008,908	-	-	-	1,008,908	-
Water and waste water	8,012,493	-	-	-	8,012,493	-
Agricultural export finance	2,516,520	-	-	-	2,516,520	-
Total	$ 95,319,878	$ 66,479,334	$ -	$ -	$ 95,319,878	$ 66,479,334

Geographic Distribution: Distribution is based on collateral location.

County	**2022**	2021	2020
Baldwin	**5.7%**	6.4%	5.2%
Dale	**3.8%**	4.2%	4.6%
Montgomery	**3.8%**	4.0%	4.4%
Dallas	**3.7%**	4.3%	3.9%
Henry	**3.6%**	3.7%	4.0%
Bullock	**3.6%**	3.1%	3.4%
Marengo	**3.5%**	3.9%	4.6%
Coffee	**3.1%**	3.2%	3.5%
Mobile	**2.7%**	2.3%	2.2%
Houston	**2.7%**	2.8%	2.8%
Hale	**2.6%**	2.6%	2.4%
Geneva	**2.5%**	2.8%	3.0%
Tuscaloosa	**2.5%**	2.7%	2.6%
Monroe	**2.4%**	2.7%	2.7%
Pike	**2.4%**	2.3%	2.2%
Escambia	**2.3%**	1.9%	1.4%
Macon	**2.2%**	2.5%	3.0%
Barbour	**2.1%**	2.3%	2.5%
Perry	**2.0%**	2.2%	2.4%
Elmore	**2.0%**	1.9%	1.9%
Autauga	**2.0%**	2.0%	1.9%
Washington	**1.9%**	1.9%	2.1%
Wilcox	**1.9%**	2.1%	2.2%
Lowndes	**1.9%**	2.2%	2.5%
Lee	**1.9%**	2.0%	1.7%
Crenshaw	**1.9%**	1.3%	1.5%
Coosa	**1.8%**	1.8%	1.8%
Greene	**1.5%**	1.7%	1.8%
Pickens	**1.5%**	1.3%	1.4%
Chilton	**1.4%**	1.7%	1.8%
Russell	**1.4%**	1.5%	1.3%
Sumter	**1.3%**	1.4%	1.1%
Chambers	**1.3%**	1.3%	1.1%
Clarke	**1.3%**	1.1%	1.3%
Tallapoosa	**1.2%**	1.5%	1.4%
Other Counties	**5.3%**	4.8%	4.8%
Other States	**11.2%**	8.6%	7.6%
Totals	**100.0%**	**100.0%**	**100.0%**

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

	2022		2021		2020	
Operation/Commodity	**Amount**	**%**	Amount	%	Amount	%
Timber	**$ 668,827,933**	**51.7%**	$ 661,347,156	53.8%	$ 611,814,919	52.7%
Livestock, except dairy and poultry	**168,452,208**	**13.0%**	166,287,277	13.5%	143,476,643	12.4%
Poultry and eggs	**116,733,521**	**9.0%**	114,726,329	9.3%	125,493,255	10.8%
Field crops except cash grains	**94,138,607**	**7.3%**	76,732,087	6.2%	74,713,764	6.4%
Rural home loans	**64,383,598**	**5.0%**	57,809,792	4.7%	51,133,572	4.4%
Food and kindred products	**32,645,927**	**2.5%**	19,772,934	1.6%	13,501,858	1.2%
Lumber and wood products, except furniture	**24,475,452**	**1.9%**	24,333,973	2.0%	29,514,707	2.5%
General farms, primarily crops	**21,568,406**	**1.7%**	23,694,777	1.9%	22,099,160	1.9%
Chemical and allied products	**16,338,547**	**1.3%**	9,329,393	0.8%	4,383,487	0.4%
Wholesale trade - nondurable goods	**15,558,577**	**1.2%**	14,934,222	1.2%	14,226,495	1.2%
Other	**69,404,739**	**5.4%**	60,646,427	5.0%	70,107,073	6.1%
Total	**$ 1,292,527,515**	**100.0%**	$ 1,229,614,367	100.0%	$ 1,160,464,933	100.0%

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

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

The following table presents information relating to impaired loans:

	December 31, 2022	December 31, 2021	December 31, 2020
Nonaccrual loans:			
Current as to principal and interest	**$ 722,711**	$ 1,984,310	$ 4,806,586
Past due	**562,984**	2,072,673	2,968,709
Total nonaccrual loans	**1,285,695**	4,056,983	7,775,295
Impaired accrual loans:			
Restructured accrual loans	**5,559,397**	4,642,443	203,799
Total impaired accrual loans	**5,559,397**	4,642,443	203,799
Total impaired loans	**$ 6,845,092**	$ 8,699,426	$ 7,979,094

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	December 31, 2022	December 31, 2021	December 31, 2020
Nonaccrual loans:			
Real estate mortgage	**$ 1,249,576**	$ 3,347,224	$ 6,315,042
Production and intermediate term	**-**	649,187	1,460,253
Rural residential real estate	**36,119**	60,572	-
Total nonaccrual loans	**1,285,695**	4,056,983	7,775,295
Accruing restructured loans:			
Real estate mortgage	**4,385,980**	3,565,659	203,799
Production and intermediate term	**1,173,417**	1,076,784	-
Total accruing restructured loans	**5,559,397**	4,642,443	203,799
Total nonperforming loans	**6,845,092**	8,699,426	7,979,094
Other property owned	**-**	-	100,000
Total nonperforming assets	**$ 6,845,092**	$ 8,699,426	$ 8,079,094

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

- Acceptable – assets are expected to be fully collectible and represent the highest quality,
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness,
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan,
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable, and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of December 31:

	2022	2021	2020
Real estate mortgage			
Acceptable	**98.4** %	98.6 %	97.9 %
OAEM	**1.0**	0.6	0.9
Substandard/doubtful	**0.6**	0.8	1.2
	100.0	100.0	100.0
Production and intermediate term			
Acceptable	**98.8**	97.3	93.5
OAEM	**1.1**	1.2	5.3
Substandard/doubtful	**0.1**	1.5	1.2
	100.0	100.0	100.0
Loans to cooperatives			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Processing and marketing			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Farm-related business			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Communication			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Energy			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Water and waste water			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Rural residential real estate			
Acceptable	**99.7**	99.8	99.8
OAEM	**0.1**	0.1	0.1
Substandard/doubtful	**0.3**	0.1	0.1
	100.0	100.0	100.0
Agricultural export finance			
Acceptable	**100.0**	100.0	-
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	-
Total Loans			
Acceptable	**98.6**	98.6	97.6
OAEM	**0.9**	0.6	1.3
Substandard/doubtful	**0.5**	0.8	1.1
	100.0 %	100.0 %	100.0 %

The following tables provide an aging analysis of past due loans (including accrued interest) as of December 31, 2022, 2021 and 2020:

December 31, 2022:	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or less than 30 Days Past Due**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 2,806,127**	**$ 276,680**	**$ 3,082,807**	**$ 1,019,318,707**	**$ 1,022,401,514**	**$ -**
Production and intermediate term	**50,777**	**-**	**50,777**	**127,795,525**	**127,846,302**	**-**
Loans to cooperatives	**-**	**-**	**-**	**9,605,579**	**9,605,579**	**-**
Processing and marketing	**-**	**-**	**-**	**50,428,252**	**50,428,252**	**-**
Farm-related business	**-**	**-**	**-**	**22,908,124**	**22,908,124**	**-**
Energy	**-**	**-**	**-**	**1,014,137**	**1,014,137**	**-**
Water and waste water	**-**	**-**	**-**	**8,014,810**	**8,014,810**	**-**
Rural residential real estate	**86,713**	**36,119**	**122,832**	**58,503,862**	**58,626,694**	**-**
Agricultural export finance	**-**	**-**	**-**	**2,556,461**	**2,556,461**	**-**
Total	**$ 2,943,617**	**$ 312,799**	**$ 3,256,416**	**$ 1,300,145,457**	**$ 1,303,401,873**	**$ -**

December 31, 2021:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 3,830,400	$ 1,231,486	$ 5,061,886	$ 1,000,844,097	$ 1,005,905,983	$ -
Production and intermediate term	-	432,736	432,736	114,108,886	114,541,622	-
Loans to cooperatives	-	-	-	5,635,136	5,635,136	-
Processing and marketing	-	-	-	35,167,242	35,167,242	-
Farm-related business	-	-	-	22,673,453	22,673,453	-
Energy	-	-	-	1,216,646	1,216,646	-
Water and waste water	-	-	-	1,336,396	1,336,396	-
Rural residential real estate	48,896	27,126	76,022	49,941,263	50,017,285	-
Agricultural export finance	-	-	-	1,578,592	1,578,592	-
Total	$ 3,879,296	$ 1,691,348	$ 5,570,644	$ 1,232,501,712	$ 1,238,072,355	$ -

December 31, 2020:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 2,499,143	$ 2,102,912	$ 4,602,055	$ 941,700,770	$ 946,302,825	$ -
Production and intermediate term	9,538	718,690	728,228	125,494,605	126,222,833	-
Loans to cooperatives	-	-	-	6,450,703	6,450,703	-
Processing and marketing	-	-	-	31,474,587	31,474,587	-
Farm-related business	-	-	-	10,740,077	10,740,077	-
Communication	-	-	-	2,607,648	2,607,648	-
Energy	-	-	-	1,377,432	1,377,432	-
Water and waste water	-	-	-	1,736,760	1,736,760	-
Rural residential real estate	25,995	-	25,995	43,186,236	43,212,231	-
Total	$ 2,534,676	$ 2,821,602	$ 5,356,278	$ 1,164,768,818	$ 1,170,125,096	$ -

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

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of December 31, 2022, the total recorded investment of TDR loans was $6,514,830, including $1,160,548 classified as nonaccrual and $5,354,282 classified as accrual. Total specific allowance for loan losses on loans classified as TDR was $1,444,286 as of December 31, 2022. There were no commitments to lend funds to borrowers whose loan terms have been modified in a TDR at December 31, 2022, 2021 or 2020.

The following tables present additional information regarding TDRs, which includes both accrual and nonaccrual loans with troubled debt restructuring designation, that occurred during the years ended December 31, 2022, 2021 and 2020. The pre-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The post-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end the restructuring occurred.

December 31, 2022:	**Pre-modification Outstanding Recorded Investment**	**Post-modification Outstanding Recorded Investment**
Troubled debt restructurings:		
Real estate mortgage	**$ 1,559,017**	**$ 1,563,937**
Production and intermediate term	**-**	**-**
Total	**$ 1,559,017**	**$ 1,563,937**

December 31, 2021:	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 1,589,937	$ 3,395,157
Production and intermediate term	1,131,175	1,217,102
Total	$ 2,721,112	$ 4,612,259

December 31, 2020:	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 2,909,333	$ 2,957,716
Production and intermediate term	73,109	1,472
Total	$ 2,982,442	$ 2,959,188

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest).

The predominant form of concession granted for troubled debt restructuring includes extension of the term and/or delayed payments. Other types of modifications include principal or accrued interest reductions and interest rate decreases, among others. At times these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case the Association assesses all of the modified terms to determine if the overall modification qualifies as a TDR.

For the years ended December 31, 2022, 2022 and 2020, there were no loans that met the accounting criteria as a TDR and that occurred within the previous 12 months of that year and for which there was a payment default during the period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

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

	Loans Modified as TDRs		
	December 31, 2022	December 31, 2021	December 31, 2020
Troubled debt restructurings:			
Real estate mortgage	**$ 5,190,834**	$ 4,804,946	$ 3,055,470
Production and intermediate term	**1,137,127**	1,293,236	129,983
Total	**$ 6,327,961**	$ 6,098,182	$ 3,185,453

	TDRs in Nonaccrual Status*		
	December 31, 2022	December 31, 2021	December 31, 2020
Troubled debt restructurings:			
Real estate mortgage	**$ 822,994**	$ 1,239,288	$ 1,305,371
Production and intermediate term	**-**	216,451	128,511
Total	**$ 822,994**	$ 1,455,739	$ 1,433,882

*Represents the portion of loans modified as TDRs that are in nonaccrual status.

Additional impaired loan information is as follows:

	Recorded Investment at 12/31/2022	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 3,357,527	$ 3,332,888	$ 1,320,117	$ 4,180,604	$ 324,609
Production and intermediate term	1,173,417	1,224,916	177,914	1,205,589	54,721
Total	$ 4,530,944	$ 4,557,804	$ 1,498,031	$ 5,386,193	$ 379,330
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 2,314,148	$ 2,361,682	$ -	$ 2,372,054	$ 113,228
Total	$ 2,314,148	$ 2,361,682	$ -	$ 2,372,054	$ 113,228
Total impaired loans:					
Real estate mortgage	$ 5,671,675	$ 5,694,570	$ 1,320,117	$ 6,552,658	$ 437,837
Production and intermediate term	1,173,417	1,224,916	177,914	1,205,589	54,721
Total	$ 6,845,092	$ 6,919,486	$ 1,498,031	$ 7,758,247	$ 492,558

	Recorded Investment at 12/31/2021	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 5,462,259	$ 5,450,570	$ 1,519,795	$ 4,126,339	$ 83,315
Production and intermediate term	1,708,238	1,735,687	422,288	1,627,647	31,055
Total	$ 7,170,497	$ 7,186,257	$ 1,942,083	$ 5,753,986	$ 114,370
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 1,450,624	$ 1,561,770	$ -	$ 1,059,540	$ 13,508
Production and intermediate term	17,733	104,064	-	19,782	860
Rural residential real estate	60,572	60,572	-	2,684	2,821
Total	$ 1,528,929	$ 1,726,406	$ -	$ 1,082,006	$ 17,189
Total impaired loans:					
Real estate mortgage	$ 6,912,883	$ 7,012,340	$ 1,519,795	$ 5,185,879	$ 96,823
Production and intermediate term	1,725,971	1,839,751	422,288	1,647,429	31,915
Rural residential real estate	60,572	60,572	-	2,684	2,821
Total	$ 8,699,426	$ 8,912,663	$ 1,942,083	$ 6,835,992	$ 131,559

	Recorded Investment at 12/31/2020	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 2,703,110	$ 2,775,365	$ 610,686	$ 4,031,039	$ 6,967
Production and intermediate term	350,371	350,371	186,940	517,569	8,932
Rural residential real estate	-	-	-	25,868	-
Total	$ 3,053,481	$ 3,125,736	$ 797,626	$ 4,574,476	$ 15,899
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 3,815,730	$ 3,970,446	$ -	$ 3,696,711	$ 33,797
Production and intermediate term	1,109,883	1,198,265	-	1,188,129	30,147
Farm-related business	-	-	-	2,497	-
Rural residential real estate	-	-	-	79,310	2,011
Total	$ 4,925,613	$ 5,168,711	$ -	$ 4,966,647	$ 65,955
Total impaired loans:					
Real estate mortgage	$ 6,518,840	$ 6,745,811	$ 610,686	$ 7,727,750	$ 40,764
Production and intermediate term	1,460,254	1,548,636	186,940	1,705,698	39,079
Farm-related business	-	-	-	2,497	-
Rural residential real estate	-	-	-	105,178	2,011
Total	$ 7,979,094	$ 8,294,447	$ 797,626	$ 9,541,123	$ 81,854

[a] Unpaid principal balance represents the recorded principal balance of the loan.

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at December 31, 2022, 2021 and 2020.

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans at December 31:

	2022	2021	2020
Interest income which would have been recognized under the original terms	**$ 628,607**	$ 394,785	$ 623,637
Less: interest income recognized	**(492,558)**	(131,559)	(81,854)
Foregone interest income	**$ 136,049**	$ 263,226	$ 541,783

A summary of the changes in the allowance for loan losses and unfunded commitments and the ending balance of loans outstanding are as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy and Water/Waste Water	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses:								
Balance at December 31, 2021	$ 8,000,301	$ 617,395	$ 104,326		$ 7,692	$ 73,156	$ 1,256	$ 8,804,126
Charge-offs	-	(165,832)	-	-	-	-	-	(165,832)
Recoveries	34,591	677	-	-	-	-	-	35,268
Provision (reversal) for loan losses	(283,392)	(11,348)	23,058		(1,302)	10,227	2,843	(259,914)
Other	(7,367)	2,377	3,409		783	938	(1,435)	(1,295)
Balance at December 31, 2022	$ 7,744,133	$ 443,269	$ 130,793	$ -	$ 7,173	$ 84,321	$ 2,664	$ 8,412,353
Ending Balance: individually evaluated for impairment	$ 2,184,755	$ 177,914	$ -	$ -	$ -	$ -	$ -	$ 2,362,669
Ending Balance: collectively evaluated for impairment	$ 5,559,378	$ 265,355	$ 130,793	$ -	$ 7,173	$ 84,321	$ 2,664	$ 6,049,684
Recorded Investment in Loans Outstanding:								
Ending Balance at December 31, 2022	$1,022,401,514	$ 127,846,302	$ 82,941,955	$ -	$ 9,028,947	$ 58,626,694	$ 2,556,461	$ 1,303,401,873
Ending balance for loans individually evaluated for impairment	$ 6,071,196	$ 187,451	$ -	$ -	$ -	$ -	$ -	$ 6,258,647
Ending balance for loans collectively evaluated for impairment	$1,016,330,318	$ 127,658,851	$ 82,941,955	$ -	$ 9,028,947	$ 58,626,694	$ 2,556,461	$ 1,297,143,226

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Water and Waste Water	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses:								
Balance at December 31, 2020	$ 7,116,942	$ 755,490	$ 188,161	$ 2,090	$ 6,668	$ 71,515	$ -	$ 8,140,866
Charge-offs	(15,448)	(537)	-	-	-	-	-	(15,985)
Recoveries	40,465	1,446	-	-	-	-	-	41,911
Provision (reversal) for loan losses	858,775	(140,317)	(107,769)	(2,090)	1,807	1,642	2,272	614,320
Other	(433)	1,313	23,934	-	(783)	(1)	(1,016)	23,014
Balance at December 31, 2021	$ 8,000,301	$ 617,395	$ 104,326	$ -	$ 7,692	$ 73,156	$ 1,256	$ 8,804,126
Ending Balance: individually evaluated for impairment	$ 1,875,562	$ 422,288	$ -	$ -	$ -	$ -	$ -	$ 2,297,850
Ending Balance: collectively evaluated for impairment	$ 6,124,739	$ 195,107	$ 104,326	$ -	$ 7,692	$ 73,156	$ 1,256	$ 6,506,276
Recorded Investment in Loans Outstanding:								
Ending Balance at December 31, 2021	$ 1,005,905,983	$ 114,541,622	$ 63,475,831	$ -	$ 2,553,042	$ 50,017,285	$ 1,578,592	$ 1,238,072,355
Ending balance for loans individually evaluated for impairment	$ 8,204,825	$ 1,708,238	$ -	$ -	$ -	$ 60,572	$ -	$ 9,973,635
Ending balance for loans collectively evaluated for impairment	$ 997,701,158	$ 112,833,384	$ 63,475,831	$ -	$ 2,553,042	$ 49,956,713	$ 1,578,592	$ 1,228,098,720

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Water and Waste Water	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses:								
Balance at December 31, 2019	$ 7,175,026	$ 378,935	$ 101,231	$ 2,159	$ 2,389	$ 98,455	$ -	$ 7,758,195
Charge-offs	(69,676)	(374,393)	-	-	-	-	-	(444,069)
Recoveries	40,390	-	-	-	-	-	-	40,390
Provision (reversal) for loan losses	(28,851)	758,759	106,799	(69)	2,501	(26,478)	-	812,661
Other	53	(7,811)	(19,869)	-	1,778	(462)	-	(26,311)
Balance at December 31, 2020	$ 7,116,942	$ 755,490	$ 188,161	$ 2,090	$ 6,668	$ 71,515	$ -	$ 8,140,866
Ending Balance: individually evaluated for impairment	$ 996,329	$ 507,415	$ -	$ -	$ -	$ 9,255	$ -	$ 1,512,999
Ending Balance: collectively evaluated for impairment	$ 6,120,613	$ 248,075	$ 188,161	$ 2,090	$ 6,668	$ 62,260	$ -	$ 6,627,867
Recorded Investment in Loans Outstanding:								
Ending Balance at December 31, 2020	$ 946,302,825	$ 126,222,833	$ 48,665,367	$ 2,607,648	$ 3,114,192	$ 43,212,231	$ -	$ 1,170,125,096
Ending balance for loans individually evaluated for impairment	$ 11,001,810	$ 1,569,536	$ -	$ -	$ -	$ 56,956	$ -	$ 12,628,302
Ending balance for loans collectively evaluated for impairment	$ 935,301,015	$ 124,653,297	$ 48,665,367	$ 2,607,648	$ 3,114,192	$ 43,155,275	$ -	$ 1,157,496,794

NOTE 4 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS

The investment in the Farm Credit Bank of Texas is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying consolidated balance sheet. Estimating the fair value of the Association's investment in the Farm Credit Bank of Texas is not practicable because the stock is not traded. The Association owned 4.5 percent, 4.9 percent and 5.2 percent of the issued stock of the Bank as of December 31, 2022, 2021 and 2020. As of those dates, the Bank's assets totaled $36.0 billion, $33.1 billion and $28.2 billion and members' equity totaled $1.6 billion, $2.0 billion and $2.0 billion. The Bank's earnings were $269.9 million, $254.6 million and $251.1 million during 2022, 2021 and 2020.

NOTE 5 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2022	2021	2020
Land and improvements	**$ 1,500,108**	$ 1,500,108	$ 1,500,108
Building and improvements	**4,750,998**	4,745,450	4,729,917
Furniture and equipment	**734,325**	654,429	473,253
Computer equipment and software	**439,121**	363,112	367,610
Automobiles	**1,900,980**	1,882,679	1,605,216
Construction in progress	**39,866**	-	5,988
	9,365,398	9,145,778	8,682,092
Accumulated depreciation	**(2,813,761)**	(2,836,997)	(2,417,770)
Total	**$ 6,551,637**	$ 6,308,781	$ 6,264,322

The Association owns its office space in Montgomery (Branch), Dothan, Enterprise, Opelika, Monroeville and Spanish Fort. The Association leases office space in Montgomery (Administration), Demopolis, Selma and Tuscaloosa, all in Alabama. Lease expense was $286,506, $263,828, and $242,461 for 2022, 2021 and 2020, respectively. Minimum annual lease payments for the next five years are as follows:

		Operating Leases
2023		$ 306,029
2024		278,906
2025		255,723
2026		231,012
2027		58,107
	Total	$ 1,129,777

NOTE 6 — OTHER PROPERTY OWNED, NET:

Net gain (loss) on other property owned, net consists of the following for the years ended December 31:

	2022	2021	2020
Gain on sale, net	**$ -**	$ 16,020	$ 13,346
Operating income (expense), net	**-**	36,000	(36,000)
Net gain (loss) on other property owned	**$ -**	$ 52,020	$ (22,654)

NOTE 7 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2022	2021	2020
Captive insurance savings	**$ 558,050**	$ 501,693	$ 475,884
Right to use asset	**1,048,265**	205,497	183,135
Other assets	**313,976**	184,163	172,957
Total	**$ 1,920,291**	$ 891,353	$ 831,976

Other liabilities comprised the following at December 31:

	2022	2021	2020
Accumulated postretirement benefit obligation	**$ 2,533,599**	$ 3,297,898	$ 3,382,079
Accrued incentive bonus and related benefits	**2,073,120**	2,449,719	2,363,960
FCS insurance premiums payable	**2,002,311**	1,514,276	832,290
Lease liability	**1,048,265**	205,497	183,135
Other liabilities	**1,623,245**	1,596,781	1,437,809
Total	**$ 9,280,540**	$ 9,064,171	$ 8,199,273

NOTE 8 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process. The Association's indebtedness to the Bank represents borrowings by the Association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the Association's assets and is governed by a general financing agreement. The interest rate on the direct loan is based upon the Bank's cost of funding the loans the Association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2023, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The total amount and the weighted average interest rate of the Association's direct loan from the Bank at December 31, 2022, 2021 and 2020, was $1,081,493,220 at 2.86 percent, $1,025,517,581 at 2.00 percent and $968,268,302 at 2.17 percent, respectively.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2022, 2021 and 2020, the Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2022, was $1,300,177,113, as defined by the general financing agreement.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information, and establishing policies and procedures. Remedies specified in the general financing agreement associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2022, 2021 and 2020, the Association was not subject to remedies associated with the covenants in the general financing agreement. Other than the funding relationship with the Bank, the Association has no other uninsured or insured debt.

NOTE 9 — MEMBERS' EQUITY:

A description of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below.

Protection of certain borrower equity is provided under the Act that requires the Association, when retiring protected borrower equity, to retire such equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock, participation certificates and allocated equities that were outstanding as of January 6, 1988, or were issued or allocated prior to October 6, 1988. If an association is unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class A capital stock or participation certificates is equal to 2 percent of the aggregate of all of the borrower's loans, up to a maximum of $1,000. If needed to meet regulatory capital adequacy requirements, the maximum amount to which the board of directors may increase the stock requirement is 5 percent of the individual loan amounts.

The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the Association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates.

The Association's capitalization bylaws generally permit stock and participation certificates to be retired at the discretion of the board of directors and in accordance with the Association's capitalization plans, provided prescribed capital standards have been met. At December 31, 2021, the Association exceeded the prescribed standards. Further, neither management nor the board of directors anticipates any significant changes in capital that would affect the normal retirement of stock.

Each owner of Class A stock (for farm loans) is entitled to a single vote, while participation certificates (for rural home and farm-related business loans) provide no voting rights to their owners.

Within two years of repayment of a loan, the Association's capital bylaws require the conversion of any borrower's outstanding Class A stock to Class C stock. Class C stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Ownership of Class C stock does not entitle holders to any patronage distributions, but the stock does carry an equal right to any dividends on common stock declared by the board of directors. Redemption of Class C shares is made solely at the discretion of the Association's board of directors. At December 31, 2022, 2021 and 2020, the Association had no Class C capital stock.

Class P stock may be issued only for allocated surplus distributions, stock dividends, and patronage distributions to borrowers eligible to hold Class A stock. Class P stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Ownership of Class P stock does not entitle holders to any patronage distributions, but the stock does carry an equal right to any dividends on common stock declared by the board of directors. Redemption of Class P shares is made solely at the discretion of the Association's board of directors. At December 31, 2022, 2021 and 2020, the Association had no Class P capital stock.

All borrower stock is at-risk. As such, losses that result in impairment of capital stock or participation certificates shall be borne on a pro rata basis by all holders of Class A stock, Class C stock, Class P stock and participation certificates. In the event of liquidation of the Association, capital stock and participation certificates would be utilized as necessary to satisfy any remaining obligations in excess of the amounts realized on the sale or liquidation of assets. Any excess of the amounts realized on the sale or liquidation of assets over the Association's obligations to external parties and to the Bank would be distributed to the Association's stockholders.

Dividends and patronage distributions may be paid on the capital stock and participation certificates of the Association, as the board of directors may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings. The following dividends and patronage distributions were declared and paid in 2022, 2021 and 2020, respectively:

Date Declared	Date Paid	Patronage
December 2022	**March 2023**	**$13,068,058**
December 2021	March 2022	$12,132,310
December 2020	March 2021	$11,201,017

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. Effective January 1, 2017, new regulatory capital requirements for banks and associations were adopted. These new requirements replaced the core surplus and total surplus requirements with Common Equity Tier 1, Tier 1 Capital and Total Capital risk-based capital ratio requirements. The new requirements also replaced the existing net collateral ratio for System banks with a Tier 1 Leverage ratio and an Unallocated Retained Earnings (URE) and URE Equivalents Leverage ratio that are applicable to both the banks and associations. The Permanent Capital Ratio continues to remain in effect; however, the risk-weighted assets are calculated differently than in the past. As of December 31, 2022, the Association is not prohibited from retiring stock or distributing earnings; furthermore, neither the board nor senior management knows of any such prohibitions that may apply during the subsequent fiscal year.

The following sets forth the regulatory capital ratio requirements and ratios at December 31, 2022:

Risk-weighted:	Regulatory Minimums	Regulatory Minimums with Buffer	As of December 31, 2022
Common equity tier 1 ratio	4.50%	7.00%	15.35%
Tier 1 capital ratio	6.00%	8.50%	15.35%
Total capital ratio	8.00%	10.50%	15.99%
Permanent capital ratio	7.00%	7.00%	15.45%
Non-risk-weighted:			
Tier 1 leverage ratio	4.00%	5.00%	15.63%
UREE leverage ratio	1.50%	1.50%	15.29%

Risk-weighted assets have been defined by 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. The primary changes that generally have the impact of increasing risk-weighted assets (decreasing risk-based regulatory capital ratios) were as follows:

- Inclusion of off-balance-sheet commitments less than 14 months
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status

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

The ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of 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-weighted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-weighted assets.
- Total capital is tier 1 capital plus other required borrower 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 and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-weighted assets.
- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-weighted assets.
- Tier 1 leverage ratio is tier 1 capital (at least 1.5 percent must be URE and URE equivalents), including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions 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.

The components of the Association's risk-weighted capital, based on 90-day average balances, were as follows at December 31, 2022:

(dollars in thousands)	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	**$ 220,896,266**	**$ 220,896,266**	**$ 220,896,266**	**$ 220,896,266**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**4,497,500**	**4,497,500**	**4,497,500**	**4,497,500**
Allowance for loan losses and reserve for credit losses subject to certain limitations*			**8,586,835**	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(20,167,750)**	**(20,167,750)**	**(20,167,750)**	**(20,167,750)**
	$ 205,226,016	$ 205,226,016	$ 213,812,851	$ 205,226,016
Denominator:				
Risk-adjusted assets excluding allowance	**$ 1,357,044,644**	**$ 1,357,044,644**	**$ 1,357,044,644**	**$ 1,357,044,644**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(20,167,750)**	**(20,167,750)**	**(20,167,750)**	**(20,167,750)**
Allowance for loan losses				**(8,470,198)**
	$ 1,336,876,894	$ 1,336,876,894	$ 1,336,876,894	$ 1,328,406,696

*Capped at 1.25 percent of risk-weighted assets and inclusive of the reserve for unfunded commitments.

The components of the Association's non-risk-weighted capital, based on 90-day average balances, were as follows at December 31, 2022:

(dollars in thousands)	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	**$ 220,896,266**	**$ 220,896,266**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**4,497,500**	**-**
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(20,167,750)**	**(20,167,750)**
	$ 205,226,016	**$ 200,728,516**
Denominator:		
Total Assets	**$ 1,341,628,655**	**$ 1,341,628,655**
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	**(28,863,799)**	**(28,863,799)**
	$ 1,312,764,856	$ 1,312,764,856

The Association’s board of directors has established a Capital Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum capital standards. The Plan monitors projected patronage distributions, equity retirements and other actions that may decrease the Association’s capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures, and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan portfolio; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

As mentioned in Note 2, “Summary of Significant Accounting Policies,” the Association is required to purchase stock in the Bank. The level of stock required is calculated annually based on the average borrowings of the Association from the Bank. The required level is currently 2 percent of the average borrowing from the previous 12 months. This stock investment in the Bank reduces the amount of Association capital available for inclusion in the Association’s capital adequacy calculations.

An FCA regulation empowers the FCA to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

At December 31, the Association had the following shares of Class A capital stock and participation certificates outstanding at a par value of $5 per share:

	2022	2021	2020
Class A stock	**779,582**	782,268	768,226
Participation certificates	**117,373**	105,321	89,619
Total	**896,955**	887,589	857,845

The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income (loss) and the location on the income statement for the year ended December 31:

	2022	2021	2020
Accumulated other comprehensive income (loss) at January 1	**$ (430,075)**	$ (659,156)	$ (375,423)
Actuarial gains (losses)	**867,002**	200,102	(283,925)
Amortization of prior service (credit) costs included in salaries and employee benefits	**-**	(20,223)	192
Amortization of actuarial loss included in salaries and employee benefits	**1,513**	49,202	-
Other comprehensive income (loss), net of tax	**868,515**	229,081	(283,733)
Accumulated other comprehensive income at December 31	**$ 438,440**	$ (430,075)	$ (659,156)

NOTE 10 — INCOME TAXES:

The provision for (benefit from) income taxes from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows for the years ended December 31:

	2022	2021	2020
Federal tax at statutory rate	**$ 4,816,501**	$ 4,623,714	$ 4,309,547
State tax, net	**1,490,822**	1,431,150	1,333,907
Effect of nontaxable FLCA subsidiary	**(6,157,425)**	(5,886,061)	(5,389,250)
Change in valuation allowance	**(14,691)**	104,230	(61,401)
Other	**(135,207)**	(273,033)	(192,803)
Provision for (benefit from) income taxes	**$ -**	$ -	$ -

Deferred tax assets and liabilities in accordance with accounting guidance, "Accounting for Income Taxes," are comprised of the following at December 31:

	2022	2021	2020
Deferred Tax Assets			
Allowance for loan losses	**$ 94,541**	$ 186,949	$ 66,454
Loss carryforwards	**977,217**	977,217	977,217
Other	**(23,261)**	(22,447)	(6,183)
Gross deferred tax assets	**1,048,497**	1,141,719	1,037,488
Deferred tax asset valuation allowance	**(1,048,497)**	**(1,141,719)**	**(1,037,488)**
Net deferred tax asset (liability)	**$ -**	$ -	$ -

The calculation of tax assets and liabilities involves various management estimates and assumptions as to the future taxable earnings. The Association recorded a full valuation allowance of $1,048,497, $1,141,719 and $1,037,488 during 2022, 2021 and 2020, respectively, based on management's estimate that it is more likely than not that the deferred tax assets will not be realized. The Association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly

The Association follows FASB guidance on accounting for uncertainty in income taxes. At December 31, 2022, 2021 and 2020, the Association did not recognize a tax liability for any uncertain tax positions.

NOTE 11 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the Association participate in either the defined benefit retirement plan (DB plan) or the defined contributions plan (DC plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section I of Note 2, "Summary of Significant Accounting Policies." The structure of the district's DB plan is characterized as multi-employer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (Bank and associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon district combination only. The Association records current contributions to the DB plan as an expense in the current year. For the DB plan, the Association recognized pension costs of $629,369, $705,350 and $320,564 for the years ended December 31, 2022, 2021 and 2020, respectively. The Association recognized pension costs for the DC plan of $666,633, $398,083 and $370,302 for the years ended December 31, 2022, 2021 and 2020, respectively.

Employees of the Association are also eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. The Association's contributions to the 401(k) plan were $208,920, $286,448 and $285,031 for the years ended December 31, 2022, 2021 and 2020, respectively.

The CEO and certain executive or highly compensated employees in the Association are eligible to participate in a separate nonqualified supplemental 401(k) plan, named the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (supplemental 401(k) plan). This plan allows district employers to elect to participate in any or all of the following benefits:

- Restored Employer Contributions – to allow "make-up" contributions for eligible employees whose benefits to the qualified 401(k) plan were limited by the Internal Revenue Code during the year
- Elective Deferrals – to allow eligible employees to make pre-tax deferrals of compensation above and beyond any deferrals into the qualified 401(k) plan
- Discretionary Contributions – to allow participating employers to make a discretionary contribution to an eligible employee's account in the plan, and to designate a vesting schedule

The Association elected to participate in the Restored Employer and Elective Deferrals programs of the Supplemental 401(k) Plan. For the Restored Employer Contributions program, the Association contributed $21,920, $18,923 and $21,915 for 2022, 2021 and 2020, respectively. To date no employees have made contributions to the Elective Deferrals program. There were no payments made from the Supplemental 401(k) Plan to active employees during 2022, 2021 and 2020.

The DB plan is non-contributory and benefits are based on salary and years of service. The legal name of the plan is Farm Credit Bank of Texas Pension Plan; its employer identification number is 74-1110170. The DB plan is not subject to any contractual expiration dates. The DB plan's funding policy is to fund current year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved by the plan sponsor. The plan sponsor is the board of the Farm Credit Bank of Texas. The "projected unit credit" actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB plan, to facilitate reorganization and/or restructuring. The actuarial present value of vested and nonvested accumulated benefit obligation exceeded the net assets of the DB plan as of December 31, 2022.

The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
c. If the Association chooses to stop participating in some of its multi-employer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table includes additional information regarding the funded status of the plan, the Association's contributions, and the percentage of Association contribution to total plan contributions for the years ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
Funded status of plan	**70.9** %	70.5 %	62.6 %
Association's contribution	**$ 629,369**	$ 705,350	$ 320,564
Percentage of association's contribution to total contributions	**6.0** %	4.7 %	5.3 %

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 71.8 percent, 72.0 percent and 64.3 percent at December 31, 2022, 2021 and 2020, respectively.

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities on the consolidated balance sheet. Employees hired prior to January 1, 2004, and who are at least 55 years of age (or at least age 50 with 30 years of service) may retire and have their medical premium paid on a percentage of cost-sharing basis, predicated on length of employment service. Employees hired before this date who have reached the age requirement and have 25 years of service will receive 100 percent of their medical premium paid. Employees hired after January 1, 2004, will be eligible for access only to retiree medical benefits for themselves but will be responsible for 100 percent of the premium.

The following table reflects the benefit obligation, cost and actuarial assumptions for the Association's other postretirement benefits:

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	**2022**	2021	2020
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 3,297,898**	$ 3,382,079	$ 2,988,633
Service cost	**69,805**	71,023	61,833
Interest cost	**102,857**	93,774	101,912
Plan participants' contributions	**46,549**	35,137	32,434
Actuarial loss (gain)	**(867,002)**	(200,101)	283,925
Benefits paid	**(116,508)**	(84,014)	(86,658)
Accumulated postretirement benefit obligation, end of year	**$ 2,533,599**	$ 3,297,898	$ 3,382,079
Change in Plan Assets			
Plan assets at fair value, beginning of year	**$ -**	$ -	$ -
Actual return on plan assets	**-**	-	-
Company contributions	**69,959**	48,877	54,224
Plan participants' contributions	**46,549**	35,137	32,434
Benefits paid	**(116,508)**	(84,014)	(86,658)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (2,533,599)**	$ (3,297,898)	$ (3,382,079)
Amounts Recognized on the Balance Sheets			
Other liabilities	**$ (2,533,599)**	$ (3,297,898)	$ (3,382,079)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss (gain)	**$ (393,747)**	$ 494,992	$ 744,295
Prior service cost (credit)	**(44,693)**	(64,916)	(85,139)
Total	**$ (438,440)**	$ 430,076	$ 659,156
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	**12/31/2022**	12/31/2021	12/31/2020
Discount rate	**5.20%**	3.15%	2.80%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**7.20%/7.70%**	6.80%/6.00%	6.90%/6.40%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2031/2031**	2030/2030	2028/2029

Total Cost	**2022**	2021	2020
Service cost	**$ 69,805**	$ 71,023	$ 61,833
Interest cost	**102,857**	93,774	101,912
Amortization of:			
Unrecognized prior service cost	**(20,223)**	(20,223)	(20,223)
Unrecognized net loss (gain)	**21,737**	49,202	20,418
Net postretirement benefit cost	**$ 174,176**	$ 193,776	$ 163,940
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial loss (gain)	**$ (867,002)**	$ (200,101)	$ 283,925
Amortization of net actuarial loss (gain)	**(21,737)**	(49,202)	(20,418)
Prior service cost (credit)	**20,223**	20,223	20,223
Total recognized in other comprehensive income	**$ (868,516)**	$ (229,080)	$ 283,730
AOCI Amounts Expected to be Amortized Into Expense in 2023			
Unrecognized prior service cost	**$ (20,223)**	$ (20,223)	$ (20,223)
Unrecognized net loss (gain)	**(19,390)**	21,737	49,202
Total	**$ (39,613)**	$ 1,514	$ 28,979
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	**12/31/2021**	12/31/2020	12/31/2019
Discount rate	**3.15%**	2.80%	3.45%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**6.80%/6.00%**	6.60%/6.20%	6.90%/6.40%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2030/2030**	2029/2029	2028/2029

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)	
Fiscal 2023	**$ 81,825**
Fiscal 2024	**89,739**
Fiscal 2025	**99,992**
Fiscal 2026	**116,818**
Fiscal 2027	**126,439**
Fiscal 2028–2032	**776,840**
Expected Contributions	
Fiscal 2023	**$ 81,825**

NOTE 12 — RELATED PARTY TRANSACTIONS:

Directors of the Association, except for any director-elected directors, are required to be borrowers/stockholders of the Association. Also, in the ordinary course of business, the Association may enter into loan origination or servicing transactions with its officers, relatives of officers and directors, or with organizations with which such persons are associated. Such loans are subject to special approval requirements contained in FCA regulations and are made on the same terms, including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

Total loans to such persons at December 31, 2022, 2021 and 2020 for the Association amounted to $8,460,951, $4,992,470 and $5,325,350. During 2022, 2021 and 2020, $11,793,998, $3,133,951 and $3,792,802 of new loans were made, and repayments totaled $8,635,517, $3,667,000 and $2,956,635, respectively. In the opinion of management, no such loans outstanding at December 31, 2022, 2021 and 2020 involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the Bank and passed through to the associations, such as FCSIC expenses. The Bank charges the individual associations directly for these services based on each association's proportionate usage. These expenses totaled $2,315,836, $1,596,888 and $915,581 in 2022, 2021 and 2020, respectively.

The Association received patronage payments from the Bank totaling $7,990,540, $7,356,308 and $5,966,941 during 2022, 2021 and 2020, respectively.

NOTE 13 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2, "Summary of Significant Accounting Policies," for additional information.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2022, 2021 and 2020 for each of the fair value hierarchy values are summarized below:

December 31, 2022	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	**$ 165,430**	**$ -**	**$ -**	**$ 165,430**

December 31, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 166,221	$ -	$ -	$ 166,221

December 30, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 129,473	$ -	$ -	$ 129,473

Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

December 31, 2022	**Fair Value Measurement Using**			**Total Fair Value**
	Level 1	**Level 2**	**Level 3**	
Assets:				
Loans	**$ -**	**$ -**	**$ 6,720,193**	**$ 6,720,193**
Other property owned	**-**	**-**	**-**	**-**

December 31, 2021	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	$ -	$ -	$ 6,247,772	$ 6,247,772
Other property owned	-	-	-	-

December 30, 2020	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	$ -	$ -	$ 6,380,885	$ 6,380,885
Other property owned	-	-	112,500	112,500

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the consolidated balance sheets for each of the fair value hierarchy values are summarized as follows:

	December 31, 2022 Fair Value Measurement Using				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ 10,074**	**$ 10,074**	**$ -**	**$ -**	**$ 10,074**
Net loans	**1,277,394,969**	**-**	**-**	**1,146,306,254**	**1,146,306,254**
Total Assets	**$ 1,277,405,043**	**$ 10,074**	**$ -**	**$ 1,146,306,254**	**$ 1,146,316,328**
Liabilities:					
Note payable to the FCBT	**$ 1,081,493,220**	**$ -**	**$ -**	**971,031,459**	**$ 971,031,459**
Total Liabilities	**$ 1,081,493,220**	**$ -**	**$ -**	**$ 971,031,459**	**$ 971,031,459**

	December 31, 2021 Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 8,686	$ 8,686	$ -	$ -	$ 8,686
Net loans	1,214,562,469	-	-	1,197,942,971	1,197,942,971
Total Assets	$ 1,214,571,155	$ 8,686	$ -	$ 1,197,942,971	$ 1,197,951,657
Liabilities:					
Note payable to bank	$ 1,025,517,581	$ -	$ -	$ 1,011,560,820	$ 1,011,560,820
Total Liabilities	$ 1,025,517,581	$ -	$ -	$ 1,011,560,820	$ 1,011,560,820

	December 31, 2020 Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 10,343	$ 10,343	$ -	$ -	$ 10,343
Net loans	1,145,943,182	-	-	1,158,285,585	1,158,285,585
Total Assets	$ 1,145,953,525	$ 10,343	$ -	$ 1,158,285,585	$ 1,158,295,928
Liabilities:					
Note payable to bank	$ 968,268,302	$ -	$ -	$ 978,637,084	$ 978,637,084
Total Liabilities	$ 968,268,302	$ -	$ -	$ 978,637,084	$ 978,637,084

Uncertainty of Fair Value Measurements

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would have resulted in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption used for the probability of default would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Quoted market prices are generally not available for the instruments presented below. Accordingly, fair values are based on internal models that consider judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Valuation Techniques

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

Assets Held in Nonqualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Loans Evaluated for Impairment

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

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of other property owned involves the use of appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 14 — COMMITMENTS AND CONTINGENCIES

In addition to those commitments and contingencies discussed in Note 2, "Summary of Significant Accounting Policies," the Association is involved in various legal proceedings in the ordinary course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

The Association may participate in financial instruments with off-balance sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2022, the Association had outstanding unfunded commitments totaling $131,105,571. Included in that total were, through participations, letters of credit of $143,221.

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

NOTE 15 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended December 31 (in thousands) follow:

	2022				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 7,900**	**$ 7,955**	**$ 8,253**	**$ 8,567**	**$ 32,675**
(Provision for) reversal of loan losses	**216**	**(41)**	**138**	**(53)**	**260**
Noninterest income (expense), net	**(2,703)**	**(2,772)**	**(2,824)**	**(1,700)**	**(9,999)**
Net income	**$ 5,413**	**$ 5,142**	**$ 5,567**	**$ 6,814**	**$ 22,936**

	2021				
	First	Second	Third	Fourth	Total
Net interest income	$ 7,552	$ 7,678	$ 8,126	$ 7,915	$ 31,271
(Provision for) reversal of loan losses	(5)	(74)	(74)	(461)	(614)
Noninterest income (expense), net	(2,449)	(2,871)	(2,975)	(344)	(8,639)
Net income	$ 5,098	$ 4,733	$ 5,077	$ 7,110	$ 22,018

	2020				
	First	Second	Third	Fourth	Total
Net interest income	$ 7,162	$ 7,224	$ 7,259	$ 7,561	$ 29,206
(Provision for) reversal of loan losses	(150)	(180)	(313)	(170)	(813)
Noninterest income (expense), net	(2,823)	(2,105)	(2,456)	(487)	(7,871)
Net income	$ 4,189	$ 4,939	$ 4,490	$ 6,904	$ 20,522

NOTE 16 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through, March 9, 2023, which is the date the financial statements were issued or available to be issued and has determined that there were no other events requiring disclosure.

DISCLOSURE INFORMATION AND INDEX

(Unaudited)

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

The description of the territory served, the persons eligible to borrow, the types of lending activities engaged in and the financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report.

The descriptions of significant developments that had or could have a material impact on earnings, interest rates to borrowers, patronage, or dividends and acquisitions or dispositions of material assets, changes in the reporting entity, changes in patronage policies or practices and financial assistance provided by or to the Association through loss sharing or capital preservation agreements or from any other source, if any, required to be disclosed in this section are incorporated herein by reference from "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

DESCRIPTION OF PROPERTY

The Alabama Ag Credit, ACA (Association) serves its 40-county territory through its main administrative and lending office at 7480 Halcyon Pointe Drive, Suite 201 Montgomery, Alabama 36117. Additionally, there are nine branch lending offices located throughout the territory. The Association owns the office buildings in Montgomery (branch), Opelika, Enterprise, Dothan, Monroeville and Spanish Fort, free of debt. The Association leases the office buildings in Montgomery (administrative), Demopolis, Selma, and Tuscaloosa.

LEGAL PROCEEDINGS

In the ordinary course of business, the Association is involved in various legal proceedings. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the consolidated financial statements of the Association.

DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference from Note 11 to the consolidated financial statements, "Members' Equity," included in this annual report.

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 8, "Note Payable to the Bank," Note 11, "Employee Benefit Plans," and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Notes 2 and 14 to the consolidated financial statements, "Summary of Significant Accounting Policies" and "Commitments and Contingencies," respectively, included in this annual report.

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

The Association's financial condition may be impacted by factors that affect the Farm Credit Bank of Texas (Bank), as discussed in Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report. The financial condition and results of operations of the Bank may materially affect the stockholders' investment in the Association.

The annual and quarterly stockholder reports of the Farm Credit Bank of Texas (Bank) are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720-2590 or calling (512) 465-1881. Copies of the Bank annual and quarterly stockholder reports can also be requested by emailing *fcb@farmcreditbank.com*. The annual and quarterly stockholder reports are also available on its website at *www.farmcreditbank.com*.

The Association's annual and quarterly stockholder reports are also available free of charge, upon request. The quarterly reports will be available on the Association's website at *www.AlabamaAgCredit.com* approximately 40 days after quarter end, and the Association's annual stockholder report will be available on its website 75 days after the fiscal year end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year end. Copies of the reports can also be obtained by writing to Alabama Ag Credit, ACA, 7680 Halcyon Pointe Dr, Suite 201, Montgomery, Alabama 36117 or calling (334) 270-8687. In addition, copies of the reports can also be requested by emailing *info@alabamaagcredit.com.*

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2022, required to be disclosed, is incorporated herein by reference to the "Five-Year Summary of Selected Consolidated Financial Data" included in this annual report to stockholders.

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

"Management's Discussion and Analysis," which precedes the consolidated financial statements in this annual report, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS

The Association's member-elected and director-elected board of directors and senior officers are as follows:

NAME	POSITION	DATE ELECTED/ EMPLOYED	TERM EXPIRES	TIME IN POSITION
Larry H. Gibson, Jr.	Chairman	April 2010	2025	-
John Carl Sanders	Vice Chairman	April 2015	2024	-
Annie Dee	Director	June 2019	2025	-
Richard H. Meadows	Director	July 2020	2023	-
Ray Petty	Director-Elected Director	January 2007	2025	-
Mark D. Platt	Director	April 2016	2023	-
Richard M. Stabler	Director-Elected Director	August 2020	2023	-
Roman McLeod	Director-Elected Director	June 2021	2024	-
Bradfield Evans	Director	June 2021	2024	-
Douglas Thiessen	President/Chief Executive Officer	February 2007	-	16 years
Chris Higbe	Sr. VP/Chief Credit Officer	May 2011	-	11 years
Heather Smith	Sr. VP/Chief Financial Officer	January 2022	-	1 year
J. Scott McCall	Sr. VP/Chief Relationship Officer	January 2011	-	12 years

A brief statement of the business and employment background of each director and senior officer is provided for informational purposes.

Larry H. Gibson, **Jr**., age 50. Mr. Gibson resides in Aliceville, Alabama, and is president and owner of Gibson Forest Management, Inc., a forestry consulting firm established in 1994, and Gibson Timberlands, LLC, a land and timber company. He manages approximately 60,000 acres of timberland for clients in West Alabama and East Mississippi, where he provides complete forest management services and he owns approximately 2,000 acres of timberland where timber and wildlife are the primary commodities. Mr. Gibson is a member of the Alabama Forestry Association, the Society of American Foresters (past state chair), the Association of Consulting Foresters (past state chair), and Alabama Farmers Federation of Pickens County, having served on the boards of each organization. He currently serves as a member of the Pickens County Industrial Board (industrial development). Mr. Gibson earned a bachelor's degree in Forest Management from Mississippi State University. He is a trustee at Hebron United Methodist Church. Mr. Gibson serves as chairman of the Association's board of directors, and previously served as vice chairman of the board.

John Carl Sanders, age 68. Mr. Sanders resides in Roeton, Alabama, and has been farming full time all of his adult life. He farms in partnership with his son on 1,000 acres, where the primary commodities produced are peanuts, cotton and corn. In addition, Mr. Sanders has a 100-head brood cow operation. Mr. Sanders serves as president of the Alabama Peanut Producers Association (peanut promotion); a director of the American Peanut Council (peanut promotion); a member of the Peanut Standards Board (peanut promotion); president of the Coffee County Farmers Federation (agricultural federation); and a director of the Alabama 4-H Club

Foundation (resources for promotion of youth in agriculture). Mr. Sanders earned a bachelor's degree in Agricultural Science from Auburn University. Mr. Sanders serves as vice chairman of the Association's board of directors, and formerly served as chairman of the board.

Annie Dee, age 63. Ms. Dee resides in Aliceville, Alabama, and has been farming all of her adult life. She is president and part owner of Dee River Ranch, a family-operated 10,000-acre farm, where the principal commodities produced are corn and soybeans. In addition, Dee River Ranch has over 1,000 head of Brahman and Angus crossbred cattle, along with pine and hardwoods planted on part of the farm. Ms. Dee is part owner and manager of Dee Farm, a general partnership, which runs the farming operations located at Dee River Ranch, and Dee Farm Equipment, LLC. The farm also engages in collaborations with several universities in irrigation research projects, and crop variety and fungicide trials. In addition to her work on the farm, Ms. Dee's affiliations and board service include: the Alabama Soybean and Corn Association (agricultural commodity promotion), the Pickens County Farmers Federation (agricultural federation), the West Alabama Food Bank (storing and distributing food for hunger relief), and the advisory board for the Soybean Innovation Lab administered through University of Illinois. Ms. Dee is a Soil Health Partner for the National Association of Conservation Districts, and also serves as a lead farmer for the Farm Journal Foundation. She is a member of Pickens County Cattlewomen (past president), New Era Arts Club (past president), and Corpus Christi Parish Council (past president). In addition, Ms. Dee serves on the advisory committee for Auburn University Forestry Department, NRCS State Advisory Board, Auburn University Integrated Pest Management, the Simplot Grower Solutions Grower Council, and the Agriculture Advisory Council of the Birmingham branch of the Federal Reserve Bank of Atlanta. Formerly Ms. Dee served on the boards of the United Soybean Board and the Alabama Soybean Producers and has worked with the Howard G. Buffett Foundation on "Invest an Acre" and "Harvesting the Potential" programs. Ms. Dee earned a bachelor's degree in Animal Industries from Clemson University and attends Corpus Christi Church.

Richard H. Meadows, age 53. Mr. Meadows resides in Columbia, Alabama, with his wife, Kathy, and they have three sons. He has been involved in the farming business most of his life. Mr. Meadows is an area sales manager for WB Fleming Mineral Company, where he has worked for 16 years. The company is a producer of livestock minerals and is based in Tifton, Georgia, with Mr. Meadows' sales territory covering central and south Alabama and the Florida panhandle. Mr. Meadows is a partner with his brother and other family members in Meadows Creek Farm, LLC, a cattle operation partnership formed in 1985 and based in Houston County, Alabama, focusing on seedstock production of Charolais, Angus, and SimAngus cattle. He also raises commercial cattle and market feeder calves through SAFE feeder calf sale. Meadows Creek Farm also grows corn silage, grain sorghum, and small grains for cattle feed. Mr. Meadows is past president and current board member of Houston County Cattlemen's Association (treasurer) and Alabama Charolais Association. He is also a past president and now treasurer of Alabama Cattlemen's Association (cattle promotion). Mr. Meadows earned a Bachelor of Science degree in Animal and Dairy Science from Auburn University and a Master of Business Administration degree with concentration in Agricultural Economics from Auburn University. Mr. Meadows is a deacon at Watermark Church in Ashford, Alabama.

Ray Petty, age 72. Mr. Petty resides in Birmingham, Alabama, and serves on the Montgomery Advisory Board for an independent commercial bank, ServisFirst Bank, based in Birmingham, Alabama. Mr. Petty was serving on the board of directors of ServisFirst at the time of his appointment as chief development officer in July 2008, a position he held until 2019. Previously, Mr. Petty was retired after a 34-year career in commercial banking with SouthTrust Bank. Mr. Petty served 27 years in Montgomery, the last 20 as the Montgomery area president. During the last nine years of his Montgomery tenure, Mr. Petty also served as South Alabama/Mississippi regional president. In addition, he taught commercial lending for 15 years at University of South Alabama's banking school. Mr. Petty earned a bachelor's degree in History from Auburn University.

Mark D. Platt, age 45. Mr. Platt resides in Fruitdale, Alabama, and has been farming full time for the last 23 years. He is co-owner of Platt Farms, a Washington County-based operation that includes 950 acres where principal commodities produced are poultry, cotton, peanuts, feed grains, cattle and timber. Mr. Platt serves on the boards of Washington County Soil and Water Conservation District (soil and water conservation), Washington County Farmers Federation (agricultural federation), and the Clark-Washington Farm Service Agency (USDA programs). Mr. Platt is a member of Alabama Farmers Federation, Alabama Cattlemen's Association, and Alabama Peanut Producers Association. Mr. Platt attended Alabama Southern where he earned an associate degree in Industrial and Business Technology. Mr. Platt attends Chatom Baptist Church.

Richard M. Stabler, age 66. Mr. Stabler resides in Fairhope, Alabama, and is a CPA. Mr. Stabler has over 42 years of experience in public accounting and is retired from service as a member/partner with the accounting firm Warren Averett, LLC. He served on the firm's Executive Committee and was Chair of the firm's Office Managing Member Council for nine years and served as the Office Managing Member of the Montgomery office of the firm for ten years. He also serves on the board of directors of Montgomery based Whitfield Foods, Inc, a company specializing in packaging of beverage, retail syrup and other food products. Mr. Stabler is a member of the American Institute of Certified Public Accountants and the Alabama Society of CPAs. Additionally, Mr. Stabler serves on the board of directors of Leadership Alabama, an Alabama-focused leaders' educational organization, and the

Alabama Shakespeare Festival, a Montgomery, Alabama-based non-profit organization that provides a variety of theatrical performances and educational and community programs. Mr. Stabler earned a bachelor's degree in Accounting from Troy University. Mr. Stabler serves as the chairman of the Association's audit committee.

Roman McLeod, age 51. Mr. McLeod resides in Pike Road, Alabama, and has 25 years of experience in the financial industry. He currently serves as the director of the Office of Cash Management at Auburn University, a position he has held for nine years. Previously he served in leadership positions with the State of Alabama, Office of State Treasurer for 11 years. Mr. McLeod has also served in various roles in commercial banking for six years. He is a Certified Public Manager and is a graduate of Leadership Montgomery. Mr. McLeod earned a Bachelor of Science degree in Business at the University of North Alabama. Mr. McLeod also serves on the board of trustees for Beulah Baptist Church.

Bradfield Evans, age 41. Mr. Evans resides in Hope Hull, Alabama, and has been raising cattle since 2010 and doing so full time for the last eight years. He and his family operate CK Cattle, a Lowndes county-based farming operation that encompasses 3100 acres of owned and leased pastureland. The cattle operation includes a base herd of approximately 700 registered Angus, Chiangus and Simangus cows. The farm markets over 250 bulls each year. They also grow 200 acres of corn silage and 400 acres of Bermuda hay. Mr. Evans is the immediate past president of the Lowndes County Cattlemen's Association (Beef Promotion), chairman of the Dallas/Lowndes FSA County Committee (USDA Programs), and he also serves on the board of the Alabama Farmer's Federation for Lowndes County (agricultural federation). Mr. Evans formerly served as state chair of Alabama Cattlemen's Association Young Cattlemen's Leadership Program Council (developing leadership qualities in young farmers), and has participated as Alabama's delegate to NCBA's Young Cattlemen's Conference (2018). Mr. Evans is a deacon at Hayneville Baptist Church and teaches a 3rd-6th grade boys Sunday school class each week.

Douglas Thiessen, age 58, President/Chief Executive Officer. Mr. Thiessen has been with the Association since February 2007. Prior to joining the Association, Mr. Thiessen served for four years as Senior Vice President/Chief Financial Officer of First Ag Credit, FCS, based in Lubbock, Texas. In addition, he held various financial positions with computer manufacturer Dell Computer and the Farm Credit Bank of Texas, and also served as a commissioned examiner with the Farm Credit Administration. He has a total of 24 years of service within the Farm Credit System. Mr. Thiessen serves as president of the board of the Alabama Future Farmers of America Foundation (youth in agriculture) and is a director on the boards of the Alabama Future Farmers of America Association (youth in agriculture), Alabama Poultry and Egg Association (poultry promotion), Goodwill Industries of Central Alabama, Inc (nonprofit charity), and the Montgomery Area Chamber of Commerce (industrial development). He serves on the steering committee of the Montgomery Chamber's Wright Flyers (military support) and formerly served on the board of the Alabama 4-H Club Foundation (youth in agriculture). He is a member of the Presidents Planning Committee for the Farm Credit System and also a member of the AgFirst/FCBT Plan Fiduciary Committee. Mr. Thiessen is a graduate of the LSU Graduate School of Banking, and he also has a Bachelor of Science degree in Agricultural Economics from Texas Tech University and an executive Master of Business Administration degree from Troy University.

Chris Higbe, age 52, Senior Vice President/Chief Credit Officer. Mr. Higbe joined the Association in May 2011 as the Association's VP-Credit, and in May 2012 was named Chief Credit Officer. Prior to joining the Association, Mr. Higbe was employed in various credit-related positions in the commercial banking industry for approximately 19 years, most recently serving for two years as credit manager of a de-novo bank in Prattville, Alabama. Mr. Higbe serves on the board of the Alabama Agribusiness Council (agriculture and forestry promotion). Mr. Higbe is a graduate of Auburn University Montgomery with a Bachelor of Science degree in General Business and a Bachelor of Science degree in Accounting.

Heather Smith, age 47, Senior Vice President/Chief Financial Officer. Ms. Smith joined the Association in January 2022 as the new Chief Financial Officer. Previously she served as Vice President/Controller for another Farm Credit association for eight years, and before that held various positions in public accounting, government and private businesses. Altogether Ms. Smith has 24 years of accounting and finance experience. Ms. Smith is a graduate of Athens State University with a Bachelor of Business Administration degree in Accounting.

J. Scott McCall, age 58, Chief Relationship Officer. Mr. McCall has been with the Association since January 2011, serving in the roles of Regional President, and VP-Senior Lender. He was named Chief Relationship Officer effective February 2019. Prior to joining the Association, Mr. McCall was employed by Sterling Bank in Montgomery, Alabama for 22 years, most recently serving as Executive Vice President/Commercial Banking Lead for five years. Mr. McCall is a past chairman of the Board and Executive Committee of the Baptist Health Care Foundation, and he also serves on the advisory board for Auburn University Montgomery School of Business. Mr. McCall is a graduate of the Southwestern Graduate School of Banking in Dallas, Texas, and also has a Bachelor of Science degree in Business Administration from Auburn University Montgomery.

COMPENSATION OF DIRECTORS

In 2020, the directors' compensation program included a monthly retainer and a per-day honorarium. A retainer of $1,750 per month was paid to the board chairman and audit committee chairman, and $1,250 per month to all other directors. The honorarium rate of $500 is paid for each day served in any official capacity as an Association board member. An additional travel-related honorarium of $200 per day is paid to directors traveling over 100 miles but less than 200 miles to a board or committee meeting, and an additional honorarium of $400 is paid to directors traveling over 200 miles. For multi-day meetings, the increased travel honorarium applies to the first day only. In addition, if multiple meetings are held on the same day (i.e., "stacked meetings," for example, audit committee and board meeting held on the same day), the directors receive an additional honorarium of $150 for the "stacked" meeting. The directors are also compensated for scheduled conference calls at the rate of $200 per day. Additionally, they are reimbursed for certain expenses incurred while representing the Association in an official capacity. There were no changes to the compensation program during 2021 or 2022.

Mileage for attending official meetings during 2022, 2021 and 2020 was paid at the IRS-approved rate prevailing at the time. A copy of the travel policy is available to stockholders of the Association upon request.

	Number of Days Served Associated With		
Director	**Board Meetings**	**Other Official Activities**	**Total Compensation in 2022**
Larry H. Gibson, Jr.	15	25	$ 40,650
John Carl Sanders	15	17	28,250
Annie Dee	14	14	27,950
Richard H. Meadows	14	14	27,750
Ray Petty	14	18	29,750
Mark D. Platt	14	14	29,550
Richard M. Stabler	15	18	36,650
Roman McLeod	15	18	28,450
Bradfield Evans	14	17	27,450
			$ 276,450

The aggregate compensation paid to directors in 2022, 2021 and 2020 was $276,450, $285,603 and $258,398, respectively. Additional detail regarding director compensation paid for committee service (which is included in the table above) is as follows for 2022:

	Committee	
Director	**Audit**	**Compensation**
Larry H. Gibson, Jr.	$ 1,200	$ 700
John Carl Sanders	1,200	700
Annie Dee	1,200	700
Richard H. Meadows	700	700
Ray Petty	1,200	700
Mark D. Platt	700	700
Richard M. Stabler	1,200	700
Roman McLeod	1,200	700
Bradfield Evans	700	700
	$ 9,300	$ 6,300

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $115,988, $85,223 and $79,706 in 2022, 2021 and 2020, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

A critical factor to the Association's success is its ability to attract, develop, and retain staff that are knowledgeable and efficient in their ability to support the Association in the execution of its strategic objectives and delivery of results that maximize value to the stockholders. This objective holds particularly true for the Association's chief executive officer (CEO) and senior officers. The Association employs a compensation program that focuses on the performance and contributions of its employees in achieving the Association's financial and operational objectives, all for the ultimate benefit of its stockholder/members. The Association's board of directors, through its compensation committee, establishes salary and incentive programs utilizing data derived from independent third-party compensation specialists in the financial services sector to ensure that salary and incentive structures are in line with market-comparable positions. Studies provided by third-party compensation specialists form the foundation for the Association's evaluation and establishment of salary and incentive plans used by the Association.

Chief Executive Officer (CEO) Compensation Policy

The CEO's salary is set by the board, through its compensation committee, using the compensation market data of independent third-party specialists, as well as peer comparisons of CEOs of similar sized Farm Credit associations, as a guideline to determine a fair and competitive salary. Factors considered by the compensation committee and board in determining the final established compensation amounts for the CEO include personal performance evaluation, Association performance relative to goals established in the annual business plan, profitability, credit quality and administration, ability to pay patronage to members, and overall abilities exhibited by the CEO. The CEO's incentive bonus is determined at the discretion of the compensation committee and board.

Summary Compensation Tables

The following tables summarize the compensation paid to the CEO and all senior officers of the Association during 2022, 2021 and 2020. This may include other non-senior officers if their total compensation is within the top five highest paid employees. Amounts reflected in the table are presented in the year the compensation was earned.

Name of CEO	Year	Salary (a)	Bonus (b)	Deferred/ Perquisite (c)	Other (d)	Total
Douglas Thiessen						
	2022	**$ 416,000**	**$ 104,000**	**$ 52,042**	**$ 3,829**	**$ 575,871**
	2021	395,381	98,843	51,727	3,829	549,780
	2020	382,014	95,500	49,058	3,684	530,256

(a) Gross salary
(b) Bonuses paid within the first 31 days of the subsequent calendar year
(c) Deferred/Perquisites include contributions to 401(k) and defined contribution plans, supplemental 401(k) discretionary contributions, and automobile benefits
(d) Amounts in the "Other" column include premiums paid for life insurance

The employment relationship between the Association and the CEO is "at-will," meaning the Association may terminate the CEO's employment at any time, and the CEO may choose to leave at any time.

Name of group (a)	Year	Salary (b)	Bonus (c)	Deferred/ Perquisite (d)	Other (e)	Total
Aggregate of five	**2022**	**$ 913,796**	**$ 250,311**	**$ 133,405**	**$ 4,810**	**$ 1,302,322**
highest paid officers	2021	877,737	261,454	129,551	6,231	1,274,973
	2020	845,412	230,035	124,893	6,179	1,206,519

(a) Aggregate number of senior officers/highly compensated individuals, excluding CEO
(b) Gross salary
(c) Bonuses paid within the first 31 days of the subsequent calendar year
(d) Deferred/Perquisites include contributions to 401(k) and defined contribution plans, and automobile benefits
(e) Amounts in the "Other" column include premiums paid for life insurance, gift cards, and physical fitness program reimbursements.

Other Supplemental Retirement Plans Funded by the Association on Behalf of Senior Officers and Employees

The CEO and a senior officer participate in the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (the Plan). The Plan is a defined contribution plan and is sponsored and maintained by the AgFirst/FCBT Plan Sponsor Committee for the benefit of participating employers in the AgFirst Farm Credit Bank/Farm Credit Bank of Texas Agreement Regarding Employee Benefit Plans (the Administrative Agreement) and their eligible employees. One of the purposes of the Plan is to allow a means for participating employers to restore benefits lost due to limitations under the Internal Revenue Code as it relates to the Association's existing pension plan. During 2022, 2021 and 2020 the Association evaluated the benefits lost as a result of these limitations with regard to the CEO and a senior officer and funded the shortfall. The Association contributed $21,920, $18,923 and $21,915 to the Plan in 2022, 2021 and 2020, respectively.

Disclosure of information on the total compensation paid and the arrangements of the compensation plans during the last fiscal year to the CEO or any senior officer or to any other officer included in the aggregate are available and will be disclosed to shareholders of the institution upon request.

Pension Benefits

The Association participates in the Farm Credit Bank of Texas Pension Plan (the "Pension Plan"), which is a qualified defined benefit retirement plan. Compensation, as defined in the Pension Plan, includes wages, incentive compensation, and deferrals to the 401(k) and flexible spending account plans, but excludes annual leave or sick leave that may be paid in cash at the time of termination, retirement, or transfer of employment, severance payments, retention bonuses, taxable fringe benefits, and any other payments. Pension Plan benefits are based on the average of monthly eligible compensation over the 60 consecutive months that produce the highest average after 1996 ("FAC60"). The Pension Plan's benefit formula for a Normal Retirement Pension is the sum of (a) 1.65 percent of FAC60 times "Years of Benefit Service" and (b) 0.50 percent of (i) FAC60 in excess of Social Security covered compensation items and (ii) "Years of Benefit Service" (not to exceed 35). The present value of the accumulated Pension Plan is calculated assuming retirement had occurred at the measurement date used for financial reporting purposes with the retirement at age 65. The Pension Plan's benefit formula for the Normal Retirement Pension assumes that the participants are married on the date the annuity begins, that the spouse is exactly two years younger than the participant, and that the benefit is payable in the form of a 50 percent joint and survivor annuity. If any of those assumptions are incorrect, the benefit is recalculated to be the actuarial equivalent benefit. Neither the CEO nor any of the highest paid officers (including senior officers) are participants in the pension plan.

Employee Success-Sharing Plan

Association employees, including senior officers, can earn compensation above base salary through the Association's Employee Success Sharing Plan (Incentive Plan). Incentive compensation is available to all full-time, permanent employees and is based upon the achievement of predetermined, board approved performance goals (as stated in the annual Business Plan) pertaining to the Association's profitability, credit quality, and loan growth. Performance against these criteria is measured on a calendar year basis. Incentive compensation, if any, is accrued prior to December 31 of the given year, with payout being made generally by the end of the following January. In each program described below, the incentive compensation is correlated to the achievement of results compared to the performance goals – the more results exceed the performance goal, the higher the potential payout, subject to limitations described below. Likewise, the lower the results compared to the performance goals, the lower the potential payout. The Association's Incentive Plan and total incentive compensation dollars are approved annually by the compensation committee and are at the full discretion of the board of directors.

The Success-Sharing Plan has three major programs, as follows:

- Administrative Program – Incentive compensation for all administrative employees is based on the Association's total actual results in four key performance areas, with each area receiving equal weight. The four key performance areas are: 1) accrual loan growth, 2) return on equity (ROE) ratio, 3) adverse assets ratio, and 4) efficiency ratio. Total incentive compensation under the Administrative Program is limited to 25 percent of base salary.
- Relationship Manager Program – Incentive compensation for relationship managers is based on their respective branch's actual results in four key performance areas, with each area receiving equal weight. The four key performance areas are: 1) accrual loan growth, 2) ROE, 3) adverse assets ratio, and 4) delinquencies. In addition to incentive compensation from the Relationship Manager Program, which is not limited, employees in this program may also receive one-half of the incentive compensation from the Administrative Program (limited to 12.5 percent of base salary). Relationship Managers may also receive an incentive based on their respective retail branch office performance, and an incentive based on individual new loan volume, up to a maximum of 15 percent of base salary. Total incentive compensation under the Relationship Manager Program is limited to 40 percent of base salary.

- Senior Management Program – In addition to the Administrative Program, the Senior Management Team (CEO, CCO, CFO and CRO) are eligible to receive an additional incentive based on Association performance. The Association performance metric for this program is net income. An additional 5 percent of base salary will be paid if the Association meets the criteria set annually for this program.

Other Compensation Plans Funded by the Association on Behalf of Senior Officers and Employees

Relationship managers participate in a YBS incentive program, which encourages lending activity to young, beginning, and small farmers. In this program, $500 is paid to the relationship manager(s) who originates the highest number of loans in each of the young, beginning, and small categories, for a total of $1,500 per quarter. The results are measured on a quarterly basis, and the payout is made in the month following quarter-end.

Association employees have the opportunity to earn commissions on revenue generated from sales of term or credit life insurance. The Association participates in a program with an outside insurance company to provide borrowers the opportunity to purchase the insurance. Employees who generate the insurance sales receive a portion of the commissions received by the Association.

The Association provides certain employees use of Association-owned vehicles. Personal use of these vehicles is governed by the Association's board-approved travel and vehicle policies as well as IRS rules. Employees assigned an Association vehicle are required to maintain a business mileage log, and the calculated value of personal use of the vehicles is included in respective employees' taxable earnings, in accordance with IRS regulations. Amounts for personal use of an Association vehicle are included in the "Deferred/Perquisite" column in the compensation tables above.

Employees who use their personal automobiles for business purposes were reimbursed during 2022 at the IRS-approved rate prevailing at the time.

As discussed in Note 2, "Summary of Significant Accounting Policies" and Note 12, "Employee Benefit Plans," the Association participates in the Farm Credit Benefits Alliance 401(k) Plan and the Defined Contribution (DC) Plan. Amounts contributed by the Association to the 401(k) and DC plans on behalf of the CEO and senior officers are included in the "Deferred/Perquisite" column in the compensation tables above.

The Association provides group term life insurance to all employees in an amount equal to double the employees' respective salaries. To the extent that the value of the insurance exceeds $50,000, an amount must be added to the employees' taxable earnings using the IRS-approved calculation. Amounts relating to excess life insurance are included in the "Other" column in the compensation tables above.

Association policy allows for reimbursement of tuition and related education expenses incurred in connection with approved undergraduate and/or graduate level coursework. The program is available to all full-time, permanent employees.

The Association employs a program for the health and well-being of its employees. All full-time permanent employees are eligible to participate in the program, which allows for reimbursement of physical-fitness-related expenses up to $480 per year, per employee. Amounts paid for physical fitness reimbursements to the CEO and senior officers are included in the "Other" column in the compensation tables above.

Neither the CEO nor any other senior officer received noncash compensation exceeding $5,000 in 2022, 2021 or 2020.

Senior officers, including the CEO, are reimbursed for reasonable travel, subsistence and other related expenses while conducting Association business. A copy of the Association's travel policy is available to shareholders upon request.

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

The Association's policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 12 to the consolidated financial statements, "Related Party Transactions," included in this annual report.

DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Association has no senior officers or directors with any involvement in certain legal proceedings as described in §620.6(f) during the last five years.

RELATIONSHIP WITH INDEPENDENT AUDITOR

The Association's audit committee engaged the independent accounting firm of PricewaterhouseCoopers LLP (PwC) to perform the annual audit of the Association's financial statements included in this annual report. The fees paid during 2022 for professional services rendered for the Association by PwC were $107,856 for audit services, $11,000 for tax return preparation services and $900 for an automated disclosure checklist license. No other services were performed by PwC during the reporting period. All audit and non-audit services performed by PwC during the reporting period were approved by the audit committee.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The Association has formed unincorporated business entities for the purpose of acquiring and managing unusual or complex collateral associated with loans. Each of the entities is a single-member limited liability company (LLC), with the Association being the sole member. SA Alabama Properties, LLC and SA Alabama Properties II, LLC were each organized for the purpose of holding and managing foreclosed properties. Both entities were dissolved in early 2023.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March *9*, 2023, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

Members' nonpublic personal financial information is protected by Farm Credit Administration regulation. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the Association or its members.

CREDIT AND SERVICES TO YOUNG, BEGINNING AND SMALL FARMERS AND RANCHERS, AND PRODUCERS OR HARVESTERS OF AQUATIC PRODUCTS

The Association is committed to meeting the needs of Young, Beginning and Small (YBS) farmers and ranchers and recognizes the need to support these operators to ensure a strong agricultural community for the future. Support of YBS lending activities is a priority in the Association. Additional employee time and other resources are combined with the most liberal application of the Association's underwriting standards possible to meet the credit needs of YBS farmers and ranchers. In addition, the Association actively supports other programs, events, scholarships and educational activities that benefit young people who will become the agricultural providers of tomorrow.

The Association sets minimum standards and monitors its YBS performance on a regular basis. These results are also compared to the demographics of the territory it serves as reflected in the USDA Census of Agriculture.

Definitions for "young," "beginning" and "small" farmers and ranchers used by the Association are:

- Young: Age 35 or younger as of the loan date
- Beginning: Ten years or less of farming, ranching or aquatic experience as of the loan date
- Small: Less than $250,000 in annual gross sales of agricultural products

The 2017 USDA Census of Agriculture for Alabama (Census) indicates that in the Association's territory 4.9 percent of farm operators are "young," 28.4 percent are "beginning" and 92.5 percent of the farms are "small."

Slight differences noted between the Census and our YBS information are as follows:

- The Census shows young farmers in a group up to age 34, whereas the Association's YBS information shows young farmers up to age 35.
- The Census shows years on present farm in a class up to nine years, whereas the Association's YBS information shows 10 years or less for a beginning farmer.
- USDA data is based on the number of farms, whereas the Association's data is based on the number of loans.

The Association's YBS loans, as a percentage of total loans outstanding on December 31, are reflected in the table below for the past three years.

	Young	**Beginning**	**Small**
2020	17.60 percent	54.81 percent	75.36 percent
2021	17.58 percent	55.14 percent	74.16 percent
2022	17.28 percent	55.36 percent	73.03 percent

The Association's goals over the succeeding three-year period are to reach the percentages of its number of loans outstanding in young, beginning and small farmer loans as shown below.

	Young	**Beginning**	**Small**
2023	16.75 percent	50.00 percent	61.75 percent
2024	17.00 percent	50.50 percent	62.25 percent
2025	17.25 percent	51.00 percent	62.75 percent

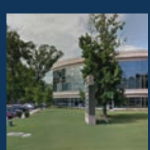
The Association continues to provide credit to YBS farmers and ranchers at high levels as reflected by the above comparative data. Emphasis on this area of the Association's lending business will continue to be a priority.

Alabama Ag Credit
7480 Halcyon Pointe Dr, Suite 201
Montgomery, AL 36117

AG IS OUR MIDDLE NAME

We understand agriculture and country living. Our borrower-owned cooperative offers flexible financing for farmers, agribusiness, landowners, and people who live in Alabama's countryside and small towns.

ALABAMA AG CREDIT
LAND & FARM LENDERS



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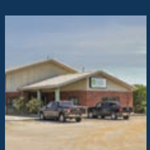

Demopolis
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Demopolis, AL 36732
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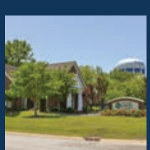

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Dothan, AL 36303
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Enterprise
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Enterprise, AL 36330
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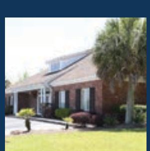

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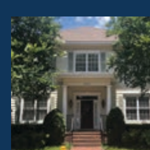

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