Farm Credit Illinois

FACING THE FUTURE WITH STRENGTH & STABILITY

2022 ANNUAL REPORT

2022:
FACING THE FUTURE WITH **STRENGTH & STABILITY**

The outlook for 2022 was filled with uncertainty and anxiety as farm families faced soaring input and land prices and expectations of rising interest rates. Yet many cooperative members ended the year with robust profits thanks to strong commodity prices and better-than-expected yields. Farm Credit Illinois (FCI) also delivered a solid financial performance in 2022, which allows the cooperative to face the unknowns of the future with strength and stability.

The cooperative registered a new record high earnings of $92.1 million – representing a third consecutive year of record or near-record revenue – growing capital levels to $1.2 billion. FCI's diverse business segments of crop insurance and Farm Credit System collaborations – including Capital Markets Group agribusiness loans and ProPartners input financing – contributed significantly to the cooperative revenue stream. Crop insurance agents grew new acres of coverage by approximately 5% to 1.5 million and added protection options for livestock farmers.

Solid financial results allow the cooperative to maintain a strong capital position, fund initiatives supporting members and the marketplace, and offer low upfront interest rates – while also further lowering members' effective interest rates through consistent cash patronage distributions.

In 2022, FCI returned $40.0 million of member patronage from 2021 earnings and cooperative members can pencil in patronage annually thanks to the Board of Director's long-term capital management plan.

The Association celebrated five years of the FreshRoots young and beginning farmers program, tallying more than $1.6 million of learning incentives redeemed and $566.0 million in loan commitments made to 1,530 members since the 2018 launch. Just as FCI supports the next generation of farmers through this program, the cooperative is committed to actively growing its livestock loan portfolio in the future.

Operating from a position of financial strength and stability, FCI strives to deliver additional value and services to more farm families. The staff team is focused on improving the member lending experience through the latest technology and more efficient processes, starting with faster decisions on loan applications.

In a world filled with uncertainty and constant change, you can rest assured your FCI cooperative is positioned to operate with strength and stability – serving farm families with reliable, consistent credit and financial services. And even in the face of the unknown we remain dedicated to **Helping Farm Families Succeed** today and tomorrow. Thank you for your cooperative membership.

Sincerely,

Steve Hettinger
Chairperson of the Board

Aaron S. Johnson
President & CEO

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CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Farm Credit Illinois, ACA

(dollars in thousands)

As of December 31	2022	2021	2020	2019	2018
Condensed Statement of Condition Data					
Loans	**$ 5,354,154**	$ 4,823,197	$ 4,448,568	$ 4,286,417	$ 4,193,053
Allowance for loan losses	**9,040**	7,732	6,237	8,699	8,798
Net loans	**5,345,114**	4,815,465	4,442,331	4,277,718	4,184,255
Investment in AgriBank, FCB	**175,723**	142,574	137,515	118,610	109,647
Investment securities	**114,583**	40,547	49,840	9,559	--
Other assets	**153,561**	137,580	119,215	115,640	121,761
Total assets	**$ 5,788,981**	$ 5,136,166	$ 4,748,901	$ 4,521,527	$ 4,415,663
Obligations with maturities of one year or less	**$ 93,427**	$ 73,977	$ 69,414	$ 61,880	$ 56,841
Obligations with maturities greater than one year	**4,538,616**	3,954,673	3,616,253	3,441,433	3,387,272
Total liabilities	**4,632,043**	4,028,650	3,685,667	3,503,313	3,444,113
Capital stock and participation certificates	**7,927**	7,878	7,656	7,489	7,554
Unallocated surplus	**1,150,555**	1,101,372	1,056,955	1,011,847	964,705
Accumulated other comprehensive loss	**(1,544)**	(1,734)	(1,377)	(1,122)	(709)
Total members' equity	**1,156,938**	1,107,516	1,063,234	1,018,214	971,550
Total liabilities and members' equity	**$ 5,788,981**	$ 5,136,166	$ 4,748,901	$ 4,521,527	$ 4,415,663

For the year ended December 31	2022	2021	2020	2019	2018
Condensed Statement of Income Data					
Net interest income	**$ 121,402**	$ 105,104	$ 102,639	$ 95,526	$ 98,663
Provision for loan losses	**915**	1,432	(2,261)	672	1,952
Other expenses, net	**28,348**	16,146	16,788	19,468	24,276
Net income	**$ 92,139**	$ 87,526	$ 88,112	$ 75,386	$ 72,435
Key Financial Ratios					
For the Year					
Return on average assets	**1.8%**	1.9%	1.9%	1.7%	1.7%
Return on average members' equity	**8.0%**	7.9%	8.3%	7.5%	7.6%
Net interest income as a percentage of average earning assets	**2.5%**	2.4%	2.3%	2.3%	2.4%
Net (recoveries) charge-offs as a percentage of average loans	**(0.0%)**	(0.0%)	0.0%	0.0%	0.0%
At Year End					
Members' equity as a percentage of total assets	**20.0%**	21.6%	22.4%	22.5%	22.0%
Allowance for loan losses as a percentage of loans	**0.2%**	0.2%	0.1%	0.2%	0.2%
Common equity tier 1 ratio	**17.5%**	19.4%	20.0%	20.0%	18.9%
Tier 1 capital ratio	**17.5%**	19.4%	20.0%	20.0%	18.9%
Total capital ratio	**17.7%**	19.5%	20.1%	20.2%	19.2%
Permanent capital ratio	**17.5%**	19.4%	20.0%	20.1%	19.0%
Tier 1 leverage ratio	**19.0%**	20.9%	21.3%	21.4%	20.3%
Net Income Distributed					
For the Year					
Paid for prior year's patronage:					
Cash	**$ 42,881**	$ 42,804	$ 28,412	$ 20,166	$ --

MANAGEMENT'S DISCUSSION AND ANALYSIS

Farm Credit Illinois, ACA

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

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

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

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

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

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

FORWARD-LOOKING INFORMATION

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

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

AGRICULTURAL AND ECONOMIC CONDITIONS

The November 9, 2022, Illinois Crop Production report from United States Department of Agriculture showed harvested corn acres down 3.0% from 2021 while projecting a record high corn yield of 215 bushels per acre, an all-time high by 5 bushels per acre and up 13 bushels per acre from 2021. With the record yield, the corn production estimate is up 3.0% from last year. Soybean harvested acres were up 2.0% in 2022 with a forecast yield of 64 bushels per acre for the state. The 2022 soybean yield and production forecasts are nearly unchanged from 2021.

The December 9, 2022, World Agricultural Supply and Demand Estimates showed U.S. corn production at 13.9 billion bushels in 2022, a 7.6% decrease from 2021. The 2022 national average yield of 172.3 bushels per acre decreased 2.5% from 2021. Soybean production is estimated at 4.3 billion bushels on a 50.2 bushel per acre national yield. Estimated production shows a 2.7% decrease from the 2021 crop, in line with the average yield decrease of 2.9%. The projected Average Farm Price for 2022/2023 is $6.70 per bushel of corn compared to $6.00 per bushel for the previous marketing year. The Average Farm Price for soybeans is expected to be $14.00 per bushel, up slightly from last year's figure of $13.30 per bushel.

Brazil, the world's largest soybean exporter, is expected to grow a record soybean crop in 2022/2023. Additionally, their corn crop is expected to surpass last year's record. Ukraine's corn production, however, was sharply lower with reductions in both yield and harvested area given the ongoing war and record-setting rains. Ukraine exports are down nearly 32.0% from the same period in the previous crop year. Argentina has also experienced weather issues with continued drought. Shortfalls in production could support a price floor in the U.S.

Economists from the University of Illinois and Ohio State University expect interest rates to continue to increase in 2023. Rates are higher than they were from 2008 to 2021 which will impact the costs of debt and capital, the required breakeven to cover investments and put downward pressure on asset values, including farmland. They report that in November 2022, the inflation rate was 7.1%, down from the high of 9.0% in June 2022, but still high. Previous inflationary periods indicate it may take several years before inflation reaches long-term targets of 2.0%-4.0%. The long-term target inflation rate suggests a 10-year Constant Maturity Treasury rate in the 4.0%-6.0% range and interest rates on agricultural debt in the 7.0%-9.0% range.

Land values reached record levels according to our farmland Benchmark study completed July 1, 2022. The most recent auction sales reflect that land values continue to be stable, unaffected by rising interest rates. Continued strong farmland returns and cash rents have helped offset interest rate increases. University of Illinois economists do not believe a large decline in farmland prices is likely in 2023.

The latest University of Illinois Outlook for 2023 reports farmer returns are down considerably from 2022 and 2021, but still above the low-income years from 2014 to 2019. Crop budgets for 2023 have been revised with higher estimated commodity prices while input costs remain at historic highs. The total cost of production for corn increased from $900 per acre in 2021 to a projected $1,161 per acre in 2023, an increase of $261 per acre, or nearly 30.0%, in only two years. For the 2023 crop year, the current projected farmer return on a split corn-soybean rotation for high-productivity farmland in Central Illinois, is shown at $82 per acre. The return was $259 per acre, $324 per acre, and $125 per acre in 2022, 2021, and 2020, respectively. During the years 2014-2019, the return averaged $25 per acre.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $5.4 billion at December 31, 2022, an increase of $531.0 million from December 31, 2021.

Components of Loans

(in thousands)

As of December 31	**2022**	2021	2020
Accrual loans:			
Real estate mortgage	**$ 2,867,043**	$ 2,703,531	$ 2,464,419
Production and intermediate-term	**808,053**	773,740	742,731
Agribusiness	**1,218,025**	993,595	932,399
Other	**456,988**	348,701	305,178
Nonaccrual loans	**4,045**	3,630	3,841
Total loans	**$ 5,354,154**	$ 4,823,197	$ 4,448,568

The other category is primarily composed of rural infrastructure and agricultural export finance related loans and certain assets characterized as mission related investments.

The increase in total loans from December 31, 2021, was primarily due to growth in the agribusiness portfolio and real estate mortgage loan activity.

We have sold to AgriBank participation interests in certain loans as part of pool programs. The total outstanding participation interests in these programs were $478.9 million, $457.8 million, and $498.0 million at December 31, 2022, 2021, and 2020, respectively.

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

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

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

Portfolio Distribution

We are chartered to serve certain counties in Illinois. The remainder of our portfolio is purchased outside of the state to support rural America and to diversify our portfolio risk. Approximately 90.7% of our total loan portfolio was in the State of Illinois at December 31, 2022. No county comprised more than 5.0% of our total loan portfolio at December 31, 2022.

Agricultural Concentrations

As of December 31	**2022**	2021	2020
Corn and soybeans	**52.9%**	54.2%	53.8%
Production and services	**12.8%**	11.6%	11.3%
Landlord	**7.7%**	9.2%	8.6%
Livestock	**6.4%**	6.7%	7.4%
Ancillary agriculture products	**6.0%**	5.7%	5.6%
Other	**14.2%**	12.6%	13.3%
Total	**100.0%**	100.0%	100.0%

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

Portfolio Credit Quality

The credit quality of our portfolio improved from December 31, 2021. Adversely classified loans decreased to 1.3% of the portfolio at December 31, 2022, from 1.9% of the portfolio at December 31, 2021. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses. Additional credit quality information is included in Note 3 to the accompanying Consolidated Financial Statements.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. At December 31, 2022, $174.1 million of our loans were substantially guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands)

As of December 31	**2022**	2021	2020
Loans:			
Nonaccrual	**$ 4,045**	$ 3,630	$ 3,841
Accruing restructured	**434**	--	36
Accruing loans 90 days or more past due	**--**	62	1,345
Total risk loans	**4,479**	3,692	5,222
Other property owned	**--**	--	--
Total risk assets	**$ 4,479**	$ 3,692	$ 5,222
Total risk loans as a percentage of total loans	**0.1%**	0.1%	0.1%
Nonaccrual loans as a percentage of total loans	**0.1%**	0.1%	0.1%
Current nonaccrual loans as a percentage of total nonaccrual loans	**96.1%**	87.9%	86.1%
Total delinquencies as a percentage of total loans	**0.1%**	0.1%	0.2%

Note: Accruing loans include accrued interest receivable.

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

Allowance for Loan Losses

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

Allowance Coverage Ratios

As of December 31	**2022**	2021	2020
Allowance as a percentage of:			
Loans	**0.2%**	0.2%	0.1%
Nonaccrual loans	**223.5%**	213.0%	162.4%
Total risk loans	**201.8%**	209.4%	119.4%
Net (recoveries) charge-offs as a percentage of average loans	**(0.0%)**	(0.0%)	0.0%
Adverse assets to capital and allowance for loan losses	**6.0%**	8.2%	7.9%

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

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

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

As a result of adoption of this guidance, the allowance for loan losses decreased by $3.4 million and a reserve for unfunded commitments of $1.5 million was recognized. The decrease in the allowance for loan losses is largely due to the requirement of the standard to estimate losses to the assets' contractual maturities, resulting in a decrease of allowances attributable to our short-term portfolios. Partially offsetting the decline are modest increases in allowance attributable to our long-term real estate portfolios. Additional information related to the adoption of this new guidance is included in Note 2 to the accompanying Consolidated Financial Statements.

Additional loan information is included in Notes 3, 10, 11, and 12 to the accompanying Consolidated Financial Statements.

INVESTMENT SECURITIES

In addition to loans, we held investment securities. Investment securities totaled $114.6 million, $40.5 million, and $49.8 million at December 31, 2022, 2021, and 2020, respectively. Market conditions provided more opportunities for investment purchases in 2022. Our investment securities consisted of securities containing loans guaranteed by the Small Business Administration (SBA). All of our investment securities were fully guaranteed by the SBA at December 31, 2022. However, any premiums paid to purchase the investment are not guaranteed and are amortized as a reduction of interest income.

The investment portfolio is evaluated for other-than-temporary impairment. For the years ended December 31, 2022, 2021, and 2020, we have not recognized any impairment on our investment portfolio. Effective January 1, 2023, we adopted the CECL accounting guidance. No allowance for credit losses was recognized in relation to our investment portfolio upon adoption. Additional information related to the adoption of this new guidance is included in Note 2 to the accompanying Consolidated Financial Statements.

Additional investment securities information is included in Note 5 to the accompanying Consolidated Financial Statements.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the year ended December 31	**2022**	2021	2020
Net income	**$ 92,139**	$ 87,526	$ 88,112
Return on average assets	**1.8%**	1.9%	1.9%
Return on average members' equity	**8.0%**	7.9%	8.3%

Changes presented in the profitability information chart relate directly to:

- Changes in income discussed in this section
- Changes in assets discussed in the Loan Portfolio and Investment Securities sections
- Changes in capital discussed in the Capital Adequacy section

Changes in Significant Components of Net Income

(in thousands)	For the year ended December 31 2022	2021	2020	Increase (decrease) in net income 2022 vs 2021	2021 vs 2020
Net interest income	**$ 121,402**	$ 105,104	$ 102,639	**$ 16,298**	$ 2,465
Provision for loan losses	**915**	1,432	(2,261)	**517**	(3,693)
Non-interest income	**49,692**	53,648	44,375	**(3,956)**	9,273
Non-interest expense	**78,042**	69,815	64,531	**(8,227)**	(5,284)
Benefit from income taxes	**(2)**	(21)	(3,368)	**(19)**	(3,347)
Net income	**$ 92,139**	$ 87,526	$ 88,112	**$ 4,613**	$ (586)

Net Interest Income

Changes in Net Interest Income

(in thousands)

For the year ended December 31	2022 vs 2021	2021 vs 2020
Changes in volume	**$ 9,497**	$ 2,537
Changes in interest rates	**6,705**	204
Changes in nonaccrual income and other	**96**	(276)
Net change	**$ 16,298**	$ 2,465

Net interest income increased in 2022 as a result of interest expense savings resulting from the use of our capital in the rising interest rate environment, along with overall loan growth during the year.

Net interest margin (net interest income as a percentage of average earning assets) was 2.5%, 2.4%, and 2.3% in 2022, 2021, and 2020, respectively. Our net interest margin is sensitive to interest rate changes and competition.

Non-Interest Income

The change in non-interest income was primarily due to a decrease in fee income, partially offset by increased patronage income and financially related services.

Fee Income: The decrease in fee income was primarily due to the end of the Paycheck Protection Program in which no fees were collected in 2022.

Patronage Income: We may receive patronage from AgriBank and other Farm Credit institutions. Patronage distributions from AgriBank and other Farm Credit institutions are declared solely at the discretion of each institution's Board of Directors. AgriBank may distribute patronage in the form of cash or stock. All other patronage from other Farm Credit institutions is typically distributed in cash.

Patronage Income

(in thousands)

For the year ended December 31	2022	2021	2020
Patronage from AgriBank	**$ 30,344**	$ 30,806	$ 29,462
AgDirect partnership distribution	**2,161**	1,352	1,279
Other patronage	**224**	164	214
Total patronage income	**$ 32,729**	$ 32,322	$ 30,955
Form of patronage distributions:			
Cash	**$ 16,010**	$ 29,075	$ 30,955
Stock	**16,719**	3,247	--
Total patronage income	**$ 32,729**	$ 32,322	$ 30,955

Patronage from AgriBank primarily includes wholesale patronage and pool program patronage. See the Relationship with AgriBank section for further discussion on patronage income. In addition, see the Unicorporated Business Entities subsection (within the Other Relationships and Programs section) for further discussion on AgDirect, LLP and the partnership distribution.

Financially Related Services Income: The increase in financially related services income was primarily due to increases in multi-peril crop insurance and crop hail insurance services.

Non-Interest Expense

Components of Non-interest Expense

(dollars in thousands)

For the year ended December 31	**2022**	2021	2020
Salaries and employee benefits	**$ 39,402**	$ 37,714	$ 36,373
Other operating expense:			
Purchased and vendor services	**11,051**	9,571	9,910
Communications	**880**	1,087	808
Occupancy and equipment	**5,119**	3,813	2,871
Advertising and promotion	**1,967**	1,747	1,710
Examination	**1,334**	1,247	1,223
Farm Credit System insurance	**7,667**	5,463	3,249
Other	**10,447**	9,173	7,971
Other non-interest expense	**175**	--	416
Total non-interest expense	**$ 78,042**	$ 69,815	$ 64,531
Operating rate	**1.6%**	1.6%	1.5%

Salaries and Employee Benefits: The increase was a result of an increase in employee count and incentive compensation expense accrued.

Purchased and Vendor Services: The increase in purchased services was primarily due to various consulting engagements conducted in 2022 in addition to an increase in expenses billed by our technology provider.

Occupancy and Equipment: The increase was a result of higher depreciation and maintenance expenses primarily due to additional software and licensing costs associated with the loan origination software conversion that took place in the fall of 2021, as well as added depreciation from the completed construction and occupancy of a new branch office building in the second quarter of 2022, at which time the assets were placed into service.

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

FUNDING AND LIQUIDITY

We borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 6 to the accompanying Consolidated Financial Statements. This line of credit is our primary source of liquidity and is used to fund operations and meet current obligations. At December 31, 2022, we had $429.3 million available under our line of credit. We generally apply excess cash to this line of credit. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from unallocated surplus. At December 31, 2022, gross loans are funded 84.8% by the direct note and 15.2% by unallocated surplus.

Note Payable Information

(dollars in thousands)

For the year ended December 31	**2022**	2021	2020
Average balance	**$ 3,995,750**	$ 3,567,023	$ 3,500,375
Average interest rate	**2.0%**	1.2%	1.7%

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

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

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

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

CAPITAL ADEQUACY

Total members' equity was $1.2 billion, $1.1 billion, and $1.1 billion at December 31, 2022, 2021, and 2020, respectively. Total members' equity increased $49.4 million from December 31, 2021, primarily due to net income for the year partially offset by $43.0 million of patronage distribution accruals. Effective January 1, 2023, we adopted the CECL accounting guidance. The adoption of this guidance resulted in a cumulative effect adjustment to equity at January 1, 2023. Refer to Note 2 for additional information regarding the CECL adoption and cumulative effect adjustment to equity.

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

Regulatory Capital Requirements and Ratios

As of December 31	**2022**	2021	2020	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**17.5%**	19.4%	20.0%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**17.5%**	19.4%	20.0%	6.0%	2.5%	8.5%
Total capital ratio	**17.7%**	19.5%	20.1%	8.0%	2.5%	10.5%
Permanent capital ratio	**17.5%**	19.4%	20.0%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**19.0%**	20.9%	21.3%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**18.9%**	22.7%	23.3%	1.5%	N/A	1.5%

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

Capital ratios are directly impacted by changes in capital, assets, and off-balance sheet commitments. Refer to the Loan Portfolio and the Investment Securities sections for further discussion of the changes in assets. Additional information on regulatory ratios and members' equity information is included in Note 7 to the accompanying Consolidated Financial Statements and information on off-balance sheet commitments is included in Note 11 to the accompanying Consolidated Financial Statements.

In addition to these regulatory requirements, we establish an optimum total capital target. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target is subject to revision as circumstances change. Our optimum total capital target is 16.0%, as defined in our 2023 capital plan.

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

RELATIONSHIP WITH AGRIBANK

Borrowing

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A General Financing Agreement (GFA), as described in Note 6 to the accompanying Consolidated Financial Statements, governs this lending relationship.

The components of cost of funds under the GFA include:

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

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

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

Investment

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

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

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

Patronage

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

Purchased Services

As of December 31, 2022, we purchased various services from AgriBank and SunStream Business Services (SunStream), a separate service entity formed on April 1, 2020. AgriBank continues to provide financial reporting services while SunStream provides tax reporting services, insurance, and various ancillary business and technology services. Additional related party information is included in Note 10 to the accompanying Consolidated Financial Statements.

Impact on Members' Investment

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

OTHER RELATIONSHIPS AND PROGRAMS

Relationships with Other Farm Credit Institutions

ProPartners Financial: We participate in ProPartners Financial (ProPartners) with certain Farm Credit institutions to provide producer financing through agribusinesses that sell crop inputs. ProPartners is directed by representatives from participating associations. We sell to AgriBank our entire interest in the loans associated with ProPartners. As part of this program we receive patronage income at the sole discretion of the AgriBank Board of Directors.

Capital Markets Group: We participate in the Capital Markets Group (CMG) with two other AgriBank District associations. The CMG focuses on generating revenue and loan volume for the financial benefit of all three participating associations. Management for each association has direct decision-making authority over the loans purchased and serviced for their respective association. The business arrangement provides additional means for diversifying each participant's portfolio, helps reduce concentration risk, and positions the participants for continued growth. We had $1.8 billion, $1.4 billion, and $1.3 billion of CMG volume outstanding at December 31, 2022, 2021, and 2020, respectively.

Rural 1st®: We are a participant in the Rural 1st® referral program to provide rural home lending to members. The program is facilitated by another association in the AgriBank District where the loans are serviced. We receive origination fees from the facilitating association on loan volume originated in our territories. We received $931 thousand, $1.4 million, and $925 thousand in origination fees for the years ended December 31, 2022, 2021, and 2020, respectively.

Agri-Access: We participate in the Agri-Access pool program which focuses on providing financing for agricultural real estate loans and leases through a network of non-Farm Credit lenders across the U.S. The program is facilitated by another AgriBank District association where all loans and leases in the program are originated and serviced. We pay the facilitating association fees to originate and service the loans. We sell to AgriBank our entire interest in the loans associated with Agri-Access. As part of this program we receive patronage income at the sole discretion of the AgriBank Board of Directors. We paid $393 thousand, $365 thousand, and $262 thousand in fees for the years ended December 31, 2022, 2021, and 2020, respectively.

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

CoBank, ACB: We have a relationship with CoBank, ACB (CoBank), a System bank, which involves purchasing and selling participation interests in loans. As part of this relationship, our equity investment in CoBank was $79 thousand at December 31, 2022, 2021, and 2020.

SunStream Business Services: We have a relationship with SunStream, which involves purchasing tax reporting services, insurance, and various ancillary business and technology services. SunStream was a division of AgriBank prior to April 1, 2020, when SunStream formed a separate System service corporation. Additional related party information is included in Note 10 to the accompanying Consolidated Financial Statements.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations), a System service corporation, which involves purchasing human resource, benefit, payroll, and workforce management services. As of December 31, 2022, 2021, and 2020, our investment in Foundations was $29 thousand. Additional related party information is included in Note 10 to the accompanying Consolidated Financial Statements.

Farm Credit Financial Partners, Inc.: Our customer relationship, reporting, internet, network security, loan accounting, loan origination, and general ledger systems are provided by Farm Credit Financial Partners, Inc. (FPI), a System service corporation, which provides technology and other operational services to its owners. As part of this relationship, we had an equity investment in FPI of $10.3 million, $10.3 million, and $9.9 million as of December 31, 2022, 2021, and 2020, respectively.

Rural Business Investment Company: We and other Farm Credit institutions are among the limited partners for Rural Business Investment Companies (RBICs). Refer to Note 11 to the accompanying Consolidated Financial Statements for further disclosure.

Unincorporated Business Entities (UBEs)

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

AgDirect, LLP: We participate in the AgDirect trade credit financing program, which includes origination and refinancing of agriculture equipment loans through independent equipment dealers. The program is facilitated by another AgriBank District association through a limited liability partnership in which we are a partial owner. Our investment in AgDirect, LLP, was $18.5 million, $16.1 million, and $11.5 million at December 31, 2022, 2021, and 2020, respectively. We also receive a partnership distribution resulting from our participation in the program, which is included in "Patronage income" in the Consolidated Statements of Comprehensive Income.

Programs

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

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

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

REPORT OF MANAGEMENT

Farm Credit Illinois, ACA

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

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

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

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

Steve Hettinger

Steve Hettinger
Chairperson of the Board
Farm Credit Illinois, ACA

Aaron S. Johnson

Aaron S. Johnson
President and Chief Executive Officer
Farm Credit Illinois, ACA

Kelly D. Hunt

Kelly D. Hunt
Executive Vice President and Chief Financial Officer
Farm Credit Illinois, ACA

March 3, 2023

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Farm Credit Illinois, ACA

The Farm Credit Illinois, ACA (the Association) principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining effective internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

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

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2022. In making the assessment, management used the 2013 framework in *Internal Control — Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of December 31, 2022, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2022.

Aaron S. Johnson
President and Chief Executive Officer
Farm Credit Illinois, ACA

Kelly D. Hunt
Executive Vice President and Chief Financial Officer
Farm Credit Illinois, ACA

March 3, 2023

REPORT OF AUDIT COMMITTEE

Farm Credit Illinois, ACA

The Consolidated Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of a subset of the Board of Directors of Farm Credit Illinois, ACA (the Association). The Audit Committee oversees the scope of the Association's internal audit program, the approval and independence of PricewaterhouseCoopers LLP (PwC) as independent auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's actions with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

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

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

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

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

Anne Larocca
Chairperson of the Audit Committee
Farm Credit Illinois, ACA

Audit Committee Members:
David Allspach
Michael Donohoe
David Haase
Kevin Miller

March 3, 2023

Report of Independent Auditors

To the Board of Directors of Farm Credit Illinois, ACA:

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with US GAAS, we:

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

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

Other Information

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

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

PricewaterhouseCoopers LLP

Minneapolis, Minnesota
March 3, 2023

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Illinois, ACA

(in thousands)

As of December 31	**2022**	2021	2020
ASSETS			
Loans	**$ 5,354,154**	$ 4,823,197	$ 4,448,568
Allowance for loan losses	**9,040**	7,732	6,237
Net loans	**5,345,114**	4,815,465	4,442,331
Investment in AgriBank, FCB	**175,723**	142,574	137,515
Investment securities	**114,583**	40,547	49,840
Accrued interest receivable	**65,795**	49,585	49,424
Deferred tax assets, net	**--**	--	1,241
Other assets	**87,766**	87,995	68,550
Total assets	**$ 5,788,981**	$ 5,136,166	$ 4,748,901
LIABILITIES			
Note payable to AgriBank, FCB	**$ 4,538,616**	$ 3,954,673	$ 3,616,253
Accrued interest payable	**29,740**	11,535	10,676
Patronage distribution payable	**43,050**	42,975	42,670
Other liabilities	**20,637**	19,467	16,068
Total liabilities	**4,632,043**	4,028,650	3,685,667
Contingencies and commitments (Note 11)			
MEMBERS' EQUITY			
Capital stock and participation certificates	**7,927**	7,878	7,656
Unallocated surplus	**1,150,555**	1,101,372	1,056,955
Accumulated other comprehensive loss	**(1,544)**	(1,734)	(1,377)
Total members' equity	**1,156,938**	1,107,516	1,063,234
Total liabilities and members' equity	**$ 5,788,981**	$ 5,136,166	$ 4,748,901

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Farm Credit Illinois, ACA

(in thousands)

For the year ended December 31		**2022**		2021		2020
Interest income	**$**	**200,310**	$	149,392	$	162,982
Interest expense		**78,908**		44,288		60,343
Net interest income		**121,402**		105,104		102,639
Provision for loan losses		**915**		1,432		(2,261)
Net interest income after provision for loan losses		**120,487**		103,672		104,900
Non-interest income						
Patronage income		**32,729**		32,322		30,955
Financially related services income		**10,077**		9,283		7,673
Fee income		**5,373**		9,925		3,638
Other non-interest income		**1,513**		2,118		2,109
Total non-interest income		**49,692**		53,648		44,375
Non-interest expense						
Salaries and employee benefits		**39,402**		37,714		36,373
Other operating expense		**38,465**		32,101		27,742
Other non-interest expense		**175**		--		416
Total non-interest expense		**78,042**		69,815		64,531
Income before income taxes		**92,137**		87,505		84,744
Benefit from income taxes		**(2)**		(21)		(3,368)
Net income	**$**	**92,139**	$	87,526	$	88,112
Other comprehensive income (loss)						
Employee benefit plans activity	**$**	**190**	$	(357)	$	(255)
Total other comprehensive income (loss)		**190**		(357)		(255)
Comprehensive income	**$**	**92,329**	$	87,169	$	87,857

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Illinois, ACA

(in thousands)

	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance as of December 31, 2019	$ 7,489	$ 1,011,847	$ (1,122)	$ 1,018,214
Net income	--	88,112	--	88,112
Other comprehensive loss	--	--	(255)	(255)
Unallocated surplus designated for patronage distributions	--	(43,004)	--	(43,004)
Capital stock and participation certificates issued	707	--	--	707
Capital stock and participation certificates retired	(540)	--	--	(540)
Balance as of December 31, 2020	7,656	1,056,955	(1,377)	1,063,234
Net income	--	87,526	--	87,526
Other comprehensive loss	--	--	(357)	(357)
Unallocated surplus designated for patronage distributions	--	(43,109)	--	(43,109)
Capital stock and participation certificates issued	764	--	--	764
Capital stock and participation certificates retired	(542)	--	--	(542)
Balance as of December 31, 2021	7,878	1,101,372	(1,734)	1,107,516
Net income	**--**	**92,139**	**--**	**92,139**
Other comprehensive income	**--**	**--**	**190**	**190**
Unallocated surplus designated for patronage distributions	**--**	**(42,956)**	**--**	**(42,956)**
Capital stock and participation certificates issued	**535**	**--**	**--**	**535**
Capital stock and participation certificates retired	**(486)**	**--**	**--**	**(486)**
Balance as of December 31, 2022	**$ 7,927**	**$ 1,150,555**	**$ (1,544)**	**$ 1,156,938**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Farm Credit Illinois, ACA

(in thousands)

For the year ended December 31	**2022**	2021	2020
Cash flows from operating activities			
Net income	**$ 92,139**	$ 87,526	$ 88,112
Depreciation on premises and equipment	**1,083**	758	731
Loss on sale of premises and equipment, net	**42**	5	2
Net amortization of premiums on loans and investment securities	**3,235**	4,530	5,783
Provision for loan losses	**915**	1,432	(2,261)
Stock patronage received from AgriBank, FCB	**(16,906)**	(3,274)	--
Changes in operating assets and liabilities:			
(Increase) decrease in accrued interest receivable	**(16,299)**	(217)	7,204
Decrease (increase) in other assets	**7,824**	(9,751)	(7,584)
Increase (decrease) in accrued interest payable	**18,205**	859	(10,717)
Increase in other liabilities	**1,360**	3,042	3,404
Net cash provided by operating activities	**91,598**	84,910	84,674
Cash flows from investing activities			
Increase in loans, net	**(533,622)**	(379,679)	(167,014)
Purchases of investment in AgriBank, FCB, net	**(16,243)**	(1,785)	(18,905)
Purchases of investment in other Farm Credit institutions, net	**(2,452)**	(5,018)	(3,210)
Purchases of investment securities	**(86,670)**	--	(45,400)
Proceeds from investment securities	**11,485**	8,509	4,413
Purchases of premises and equipment, net	**(5,183)**	(2,372)	(777)
Net cash used in investing activities	**(632,685)**	(380,345)	(230,893)
Cash flows from financing activities			
Increase in note payable to AgriBank, FCB, net	**583,943**	338,420	174,820
Patronage distributions paid	**(42,881)**	(42,804)	(28,412)
Capital stock and participation certificates issued (retired), net	**25**	(181)	(189)
Net cash provided by financing activities	**541,087**	295,435	146,219
Net change in cash	**--**	--	--
Cash at beginning of year	**--**	--	--
Cash at end of year	**$ --**	$ --	$ --
Supplemental information			
Interest paid	**$ 60,703**	$ 43,429	$ 71,060
Taxes refunded, net	**(430)**	(992)	(1,116)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Farm Credit Illinois, ACA

NOTE 1: ORGANIZATION AND OPERATIONS

Farm Credit System and District

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

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

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

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

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

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

Association

Farm Credit Illinois, ACA (the Association) and its subsidiaries, Farm Credit Illinois, FLCA and Farm Credit Illinois, PCA (subsidiaries) are lending institutions of the System. We are a borrower-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in the counties of Alexander, Bond, Calhoun, Cass, Champaign, Christian, Clark, Clay, Clinton, Coles, Crawford, Cumberland, DeWitt, Douglas, Edgar, Edwards, Effingham, Fayette, Ford, Franklin, Gallatin, Greene, Hamilton, Hardin, Iroquois, Jackson, Jasper, Jefferson, Jersey, Johnson, Lawrence, Logan, Macon, Macoupin, Madison, Marion, Massac, Menard, Monroe, Montgomery, Morgan, Moultrie, Perry, Piatt, Pope, Pulaski, Randolph, Richland, Saline, Sangamon, Scott, Shelby, St. Clair, Union, Vermillion, Wabash, Washington, Wayne, White, and Williamson in the State of Illinois.

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

We offer crop hail and multi-peril crop insurance to borrowers and those eligible to borrow. We also offer fee appraisals and producer education services to our members.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles and Reporting Policies

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

Principles of Consolidation

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

Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

Investment Securities: We are authorized by the FCA to purchase and hold certain types of investments. As we have the positive intent and ability to hold these investments to maturity, they have been classified as held-to-maturity and are carried at cost adjusted for the amortization of premiums and accretion of discounts. If an investment is determined to be other-than-temporarily impaired, the carrying value of the security is written down to fair value. The impairment loss is separated into credit related and non-credit related components. The credit related component is expensed through Net income in the Consolidated Statements of Comprehensive Income in the period of impairment. The non-credit related component is recognized in other comprehensive income. Purchased premiums and discounts are amortized or accreted using the interest method over the terms of the respective securities. Realized gains and losses are determined using specific identification method and are recognized in current operations.

Other Investments: The carrying amount of the investments in the Rural Business Investment Companies, in which we are a limited partner and hold non-controlling interests, are at cost and are included in "Other assets" in the Consolidated Statements of Condition. The investments are assessed for impairment. If impairment exists, losses are included in Net income in the Consolidated Statements of Comprehensive Income in the year of impairment. Income on the investments are limited to distributions received. In circumstances when distributions exceed our share of earnings after the date of the investment, these distributions are applied to reduce the carrying value of the investment and are not recognized as income.

Premises and Equipment: The carrying amount of premises and equipment is at cost, less accumulated depreciation and is included in “Other assets” in the Consolidated Statements of Condition. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets. Depreciation and maintenance and repair expenses are included in “Other operating expense” in the Consolidated Statements of Comprehensive Income and improvements are capitalized.

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

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

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

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

Certain employees also participate in the AgriBank District Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits. The pension liability attributable to the Pension Restoration Plan at the Association and the related accumulated other comprehensive loss are included in the Consolidated Statements of Condition. The components of the net periodic cost other than the service cost component, are included in “Other operating expense” in the Consolidated Statements of Comprehensive Income. Service costs are included in “Salaries and employee benefits” in the Consolidated Statements of Comprehensive Income.

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

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

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

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

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

Patronage Program: We accrue patronage distributions according to a prescribed formula approved by the Board of Directors that is generally paid during the second quarter after year end.

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

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

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

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

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, quoted prices that are not current, or principal market information that is not released publicly
- Inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks, and default rates
- Inputs derived principally from or corroborated by observable market data by correlation or other means

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

Recently Issued or Adopted Accounting Pronouncements

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

Standard and effective date	Description	Adoption status and financial statement impact
In March 2020, the FASB issued Accounting Standards Update (ASU) 2020-04 "Reference Rate Reform, Topic 848." In January 2021, the FASB issued ASU 2021-01 further amending Topic 848. This guidance may be elected and applied prospectively over time beginning March 12, 2020. In December 2022, the FASB issued ASU 2022-06 "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848", which deferred the sunset date of Topic 848 to December 31, 2024. After December 31, 2024, entities will no longer be permitted to apply the relief in Topic 848.	The guidance provides optional expedients and exceptions for applying GAAP to contracts and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate.	During March 2021, we adopted this standard. Additionally, we intend to apply the relief granted in the extension. To date, the adoption of this standard has not had a material impact on our financial condition, results of operations, cash flows, and financial statement disclosures.
In June 2016, the FASB issued ASU 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amended the mandatory effective date for this guidance for certain institutions. We qualified for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	We adopted the standard as of January 1, 2023. As a result of adoption of this guidance, the allowance for loan losses decreased by $3.4 million and a reserve for unfunded commitments of $1.5 million was recognized, with a cumulative-effect increase, net of tax balances, to retained earnings of $1.9 million. The adoption of the standard did not have a material impact related to our held-to-maturity investment portfolio as all of these investments carry a full faith and credit guarantee of the U.S. government and have an immaterial risk of credit loss. No allowance for credit losses was recognized in relation to our investment portfolio upon adoption.
In March 2022, the FASB issued ASU 2022-02 "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures." The guidance is effective at the same time that ASU 2016-13 is adopted.	This guidance eliminates the accounting guidance for troubled debt restructurings by creditors in Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings.	We adopted the standard on January 1, 2023. The adoption of this guidance did not have a material impact on our financial statements, but will modify certain disclosures beginning with our first quarter 2023 Quarterly Report.

NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)	2022		2021		2020	
As of December 31	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$ 2,867,302**	**53.6%**	$ 2,704,486	56.1%	$ 2,468,119	55.5%
Production and intermediate-term	**808,053**	**15.1%**	773,774	16.0%	742,873	16.7%
Agribusiness	**1,221,811**	**22.8%**	996,237	20.7%	932,399	21.0%
Other	**456,988**	**8.5%**	348,700	7.2%	305,177	6.8%
Total	**$ 5,354,154**	**100.0%**	$ 4,823,197	100.0%	$ 4,448,568	100.0%

The other category is primarily composed of rural infrastructure and agricultural export finance related loans and certain assets characterized as mission related investments.

Portfolio Concentrations

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

Total loans plus any unfunded commitments represent a proportionate maximum potential credit risk. However, substantial portions of our lending activities are collateralized. Accordingly, the credit risk associated with lending activities is less than the recorded loan principal. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include real estate, equipment, inventory, livestock, and income-producing property. Long-term real estate loans are secured by the first liens on the underlying real property.

Participations

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

Participations Purchased and Sold

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
(in thousands) **As of December 31, 2022**	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	**$ --**	**$ (314,251)**	**$ 151,648**	**$ (119)**	**$ 66,767**	**$ --**	**$ 218,415**	**$ (314,370)**
Production and intermediate-term	**--**	**(164,082)**	**278,006**	**--**	**--**	**--**	**278,006**	**(164,082)**
Agribusiness	**--**	**(560)**	**1,131,395**	**(2,031)**	**350**	**--**	**1,131,745**	**(2,591)**
Other	**--**	**--**	**425,607**	**--**	**--**	**--**	**425,607**	**--**
Total	**$ --**	**$ (478,893)**	**$ 1,986,656**	**$ (2,150)**	**$ 67,117**	**$ --**	**$ 2,053,773**	**$ (481,043)**

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2021	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ --	$ (334,017)	$ 134,702	$ (407)	$ 106,027	$ --	$ 240,729	$ (334,424)
Production and intermediate-term	--	(123,097)	207,742	--	--	--	207,742	(123,097)
Agribusiness	--	(714)	911,200	(2,319)	--	--	911,200	(3,033)
Other	--	--	338,298	--	--	--	338,298	--
Total	$ --	$ (457,828)	$ 1,591,942	$ (2,726)	$ 106,027	$ --	$ 1,697,969	$ (460,554)

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2020	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ --	$ (365,596)	$ 123,103	$ (325)	$ 126,543	$ --	$ 249,646	$ (365,921)
Production and intermediate-term	--	(131,540)	218,969	--	--	--	218,969	(131,540)
Agribusiness	--	(851)	844,073	(3,222)	--	--	844,073	(4,073)
Other	--	--	292,687	--	--	--	292,687	--
Total	$ --	$ (497,987)	$ 1,478,832	$ (3,547)	$ 126,543	$ --	$ 1,605,375	$ (501,534)

Credit Quality and Delinquency

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

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

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

Credit Quality of Loans

(dollars in thousands)	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2022	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$ 2,880,417**	**99.0%**	**$ 15,842**	**0.5%**	**$ 14,266**	**0.5%**	**$ 2,910,525**	**100.0%**
Production and intermediate-term	**787,806**	**95.8%**	**28,391**	**3.5%**	**6,021**	**0.7%**	**822,218**	**100.0%**
Agribusiness	**1,166,924**	**95.0%**	**11,983**	**1.0%**	**48,771**	**4.0%**	**1,227,678**	**100.0%**
Other	**455,679**	**99.4%**	**2,251**	**0.5%**	**423**	**0.1%**	**458,353**	**100.0%**
Total	**$ 5,290,826**	**97.6%**	**$ 58,467**	**1.1%**	**$ 69,481**	**1.3%**	**$ 5,418,774**	**100.0%**

	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2021	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 2,690,582	98.2%	$ 13,808	0.5%	$ 35,954	1.3%	$ 2,740,344	100.0%
Production and intermediate-term	748,042	95.4%	13,297	1.7%	22,570	2.9%	783,909	100.0%
Agribusiness	946,568	94.7%	20,066	2.0%	32,532	3.3%	999,166	100.0%
Other	349,138	100.0%	--	--	--	--	349,138	100.0%
Total	$ 4,734,330	97.2%	$ 47,171	0.9%	$ 91,056	1.9%	$ 4,872,557	100.0%

	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2020	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 2,394,329	95.7%	$ 61,614	2.5%	$ 46,781	1.8%	$ 2,502,724	100.0%
Production and intermediate-term	681,624	90.4%	49,159	6.5%	23,397	3.1%	754,180	100.0%
Agribusiness	897,118	95.9%	23,767	2.5%	14,514	1.6%	935,399	100.0%
Other	305,412	100.0%	--	--	--	--	305,412	100.0%
Total	$ 4,278,483	95.1%	$ 134,540	3.0%	$ 84,692	1.9%	$ 4,497,715	100.0%

Note: Accruing loans include accrued interest receivable.

Aging Analysis of Loans

(in thousands) **As of December 31, 2022**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$ 2,057**	**$ 159**	**$ 2,216**	**$ 2,908,309**	**$ 2,910,525**	**$ --**
Production and intermediate-term	**151**	**--**	**151**	**822,067**	**822,218**	**--**
Agribusiness	**--**	**--**	**--**	**1,227,678**	**1,227,678**	**--**
Other	**3,129**	**--**	**3,129**	**455,224**	**458,353**	**--**
Total	**$ 5,337**	**$ 159**	**$ 5,496**	**$ 5,413,278**	**$ 5,418,774**	**$ --**

As of December 31, 2021		30-89 Days Past Due		90 Days or More Past Due		Total Past Due		Not Past Due or Less Than 30 Days Past Due		Total		Accruing Loans 90 Days or More Past Due
Real estate mortgage	$	2,764	$	484	$	3,248	$	2,737,096	$	2,740,344	$	62
Production and intermediate-term		1,194		14		1,208		782,701		783,909		--
Agribusiness		--		--		--		999,166		999,166		--
Other		--		--		--		349,138		349,138		--
Total	$	3,958	$	498	$	4,456	$	4,868,101	$	4,872,557	$	62

As of December 31, 2020		30-89 Days Past Due		90 Days or More Past Due		Total Past Due		Not Past Due or Less Than 30 Days Past Due		Total		Accruing Loans 90 Days or More Past Due
Real estate mortgage	$	7,650	$	1,768	$	9,418	$	2,493,306	$	2,502,724	$	1,345
Production and intermediate-term		639		109		748		753,432		754,180		--
Agribusiness		--		--		--		935,399		935,399		--
Other		--		--		--		305,412		305,412		--
Total	$	8,289	$	1,877	$	10,166	$	4,487,549	$	4,497,715	$	1,345

Note: Accruing loans include accrued interest receivable.

Risk Loans

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

Risk Loan Information

(in thousands) As of December 31		**2022**		2021		2020
Nonaccrual loans:						
Current as to principal and interest	**$**	**3,886**	$	3,190	$	3,309
Past due		**159**		440		532
Total nonaccrual loans		**4,045**		3,630		3,841
Accruing restructured loans		**434**		--		36
Accruing loans 90 days or more past due		**--**		62		1,345
Total risk loans	**$**	**4,479**	$	3,692	$	5,222
Volume with specific allowance	**$**	**3,877**	$	3,082	$	532
Volume without specific allowance		**602**		610		4,690
Total risk loans	**$**	**4,479**	$	3,692	$	5,222
Total specific allowance	**$**	**773**	$	1,041	$	220
For the year ended December 31		**2022**		2021		2020
Income on accrual risk loans	**$**	**23**	$	73	$	50
Income on nonaccrual loans		**287**		192		468
Total income on risk loans	**$**	**310**	$	265	$	518
Average risk loans	**$**	**3,472**	$	4,906	$	4,920

Note: Accruing loans include accrued interest receivable.

Nonaccrual Loans by Loan Type

(in thousands) As of December 31		**2022**		2021		2020
Real estate mortgage	**$**	**259**	$	955	$	3,700
Production and intermediate-term		**--**		34		141
Agribusiness		**3,786**		2,641		--
Total	**$**	**4,045**	$	3,630	$	3,841

All risk loans are considered to be impaired loans. The following tables provide additional impaired loan information:

Additional Impaired Loan Information by Loan Type

(in thousands)	As of December 31, 2022 Recorded Investment[1]	As of December 31, 2022 Unpaid Principal Balance[2]	As of December 31, 2022 Related Allowance	For the year ended December 31, 2022 Average Impaired Loans	For the year ended December 31, 2022 Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	**$ 91**	**$ 138**	**$ 4**	**$ 159**	**$ --**
Production and intermediate-term	**--**	**--**	**--**	**4**	**--**
Agribusiness	**3,786**	**3,892**	**769**	**2,370**	**--**
Total	**$ 3,877**	**$ 4,030**	**$ 773**	**$ 2,533**	**$ --**
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	**$ 168**	**$ 168**	**$ --**	**$ 688**	**$ 65**
Production and intermediate-term	**434**	**543**	**--**	**158**	**198**
Agribusiness	**--**	**731**	**--**	**93**	**47**
Total	**$ 602**	**$ 1,442**	**$ --**	**$ 939**	**$ 310**
Total impaired loans:					
Real estate mortgage	**$ 259**	**$ 306**	**$ 4**	**$ 847**	**$ 65**
Production and intermediate-term	**434**	**543**	**--**	**162**	**198**
Agribusiness	**3,786**	**4,623**	**769**	**2,463**	**47**
Total	**$ 4,479**	**$ 5,472**	**$ 773**	**$ 3,472**	**$ 310**

	As of December 31, 2021 Recorded Investment[1]	As of December 31, 2021 Unpaid Principal Balance[2]	As of December 31, 2021 Related Allowance	For the year ended December 31, 2021 Average Impaired Loans	For the year ended December 31, 2021 Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ 423	$ 410	$ 111	$ 423	$ --
Production and intermediate-term	18	17	18	36	--
Agribusiness	2,641	2,603	912	79	--
Total	$ 3,082	$ 3,030	$ 1,041	$ 538	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 594	$ 611	$ --	$ 4,352	$ 234
Production and intermediate-term	16	513	--	16	31
Agribusiness	--	731	--	--	--
Total	$ 610	$ 1,855	$ --	$ 4,368	$ 265
Total impaired loans:					
Real estate mortgage	$ 1,017	$ 1,021	$ 111	$ 4,775	$ 234
Production and intermediate-term	34	530	18	52	31
Agribusiness	2,641	3,334	912	79	--
Total	$ 3,692	$ 4,885	$ 1,041	$ 4,906	$ 265

	As of December 31, 2020			For the year ended December 31, 2020	
	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ 423	$ 410	$ 111	$ 85	$ --
Production and intermediate-term	109	108	109	141	--
Agribusiness	--	--	--	3	--
Total	$ 532	$ 518	$ 220	$ 229	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 4,622	$ 4,527	$ --	$ 4,315	$ 479
Production and intermediate-term	68	737	--	376	39
Agribusiness	--	792	--	--	--
Total	$ 4,690	$ 6,056	$ --	$ 4,691	$ 518
Total impaired loans:					
Real estate mortgage	$ 5,045	$ 4,937	$ 111	$ 4,400	$ 479
Production and intermediate-term	177	845	109	517	39
Agribusiness	--	792	--	3	--
Total	$ 5,222	$ 6,574	$ 220	$ 4,920	$ 518

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

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

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

Troubled Debt Restructurings (TDRs)

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

TDR Activity

(in thousands)

For the year ended December 31	**2022**		2021		2020	
	Pre-modification	Post-modification	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	**$ --**	**$ --**	$ --	$ --	$ 518	$ 518
Production and intermediate-term	**422**	**423**	--	--	49	49
Total	**$ 422**	**$ 423**	$ --	$ --	$ 567	$ 567

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

The primary type of modification was deferral of principal.

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

TDRs Outstanding

(in thousands) As of December 31	2022	2021	2020
Accrual status:			
Real estate mortgage	**$ --**	$ --	$ --
Production and intermediate-term	**434**	--	36
Total TDRs in accrual status	**$ 434**	$ --	$ 36
Nonaccrual status:			
Real estate mortgage	**$ 166**	$ 505	$ 512
Production and intermediate-term	**--**	21	40
Total TDRs in nonaccrual status	**$ 166**	$ 526	$ 552
Total TDRs:			
Real estate mortgage	**$ 166**	$ 505	$ 512
Production and intermediate-term	**434**	21	76
Total TDRs	**$ 600**	$ 526	$ 588

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

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) For the year ended December 31	2022	2021	2020
Balance at beginning of year	**$ 7,732**	$ 6,237	$ 8,699
Provision for loan losses	**915**	1,432	(2,261)
Loan recoveries	**411**	79	154
Loan charge-offs	**(18)**	(16)	(355)
Balance at end of year	**$ 9,040**	$ 7,732	$ 6,237

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

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2021	**$ 1,028**	**$ 1,456**	**$ 4,600**	**$ 648**	**$ 7,732**
Provision for loan losses	**(230)**	**(698)**	**1,629**	**214**	**915**
Loan recoveries	**--**	**411**	**--**	**--**	**411**
Loan charge-offs	**--**	**(18)**	**--**	**--**	**(18)**
Balance as of December 31, 2022	**$ 798**	**$ 1,151**	**$ 6,229**	**$ 862**	**$ 9,040**
Ending balance: individually evaluated for impairment	**$ 4**	**$ --**	**$ 769**	**$ --**	**$ 773**
Ending balance: collectively evaluated for impairment	**$ 794**	**$ 1,151**	**$ 5,460**	**$ 862**	**$ 8,267**
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2022	**$ 2,910,525**	**$ 822,218**	**$ 1,227,678**	**$ 458,353**	**$ 5,418,774**
Ending balance: individually evaluated for impairment	**$ 259**	**$ 434**	**$ 3,786**	**$ --**	**$ 4,479**
Ending balance: collectively evaluated for impairment	**$ 2,910,266**	**$ 821,784**	**$ 1,223,892**	**$ 458,353**	**$ 5,414,295**

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2020	$ 1,160	$ 1,546	$ 3,038	$ 493	$ 6,237
Provision for loan losses	(132)	(92)	1,501	155	1,432
Loan recoveries	--	18	61	--	79
Loan charge-offs	--	(16)	--	--	(16)
Balance as of December 31, 2021	$ 1,028	$ 1,456	$ 4,600	$ 648	$ 7,732
Ending balance: individually evaluated for impairment	$ 111	$ 18	$ 912	$ --	$ 1,041
Ending balance: collectively evaluated for impairment	$ 917	$ 1,438	$ 3,688	$ 648	$ 6,691
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2021	$ 2,740,344	$ 783,909	$ 999,166	$ 349,138	$ 4,872,557
Ending balance: individually evaluated for impairment	$ 1,017	$ 34	$ 2,641	$ --	$ 3,692
Ending balance: collectively evaluated for impairment	$ 2,739,327	$ 783,875	$ 996,525	$ 349,138	$ 4,868,865

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2019	$ 1,266	$ 2,001	$ 4,791	$ 641	$ 8,699
Provision for loan losses	(106)	(119)	(1,888)	(148)	(2,261)
Loan recoveries	--	19	135	--	154
Loan charge-offs	--	(355)	--	--	(355)
Balance as of December 31, 2020	$ 1,160	$ 1,546	$ 3,038	$ 493	$ 6,237
Ending balance: individually evaluated for impairment	$ 111	$ 109	$ --	$ --	$ 220
Ending balance: collectively evaluated for impairment	$ 1,049	$ 1,437	$ 3,038	$ 493	$ 6,017
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2020	$ 2,502,724	$ 754,180	$ 935,399	$ 305,412	$ 4,497,715
Ending balance: individually evaluated for impairment	$ 5,045	$ 177	$ --	$ --	$ 5,222
Ending balance: collectively evaluated for impairment	$ 2,497,679	$ 754,003	$ 935,399	$ 305,412	$ 4,492,493

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

NOTE 4: INVESTMENT IN AGRIBANK

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

We are also required to hold AgriBank stock related to our participation in pool programs. The required investment amount varies by pool program and is generally a percentage of the loan balance in the pool. Refer to Note 10 for additional information on our investment in AgriBank as of December 31, 2022, 2021, and 2020, respectively.

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

NOTE 5: INVESTMENT SECURITIES

We held investment securities of $114.6 million, $40.5 million, and $49.8 million at December 31, 2022, 2021, and 2020, respectively. Our investment securities consisted of securities containing loans guaranteed by the SBA. All of our investment securities were fully guaranteed by the SBA at December 31, 2022, 2021 and 2020. Premiums paid to purchase the investments are not guaranteed and are amortized as a reduction of interest income.

The investment securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. For the years ended December 31, 2022, 2021, and 2020, we have not recognized any impairment on our investment portfolio.

Our investments are asset-backed securities (ABS), which are generally shorter-term investments.

Additional Investment Securities Information

(dollars in thousands) As of December 31	2022	2021	2020
Amortized cost	**$ 114,583**	$ 40,547	$ 49,840
Unrealized gains	**549**	90	482
Unrealized losses	**(1,115)**	(353)	(35)
Fair value	**$ 114,017**	$ 40,284	$ 50,287
Weighted average yield	**3.1%**	1.4%	1.8%

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $1.4 million, $652 thousand, and $827 thousand in 2022, 2021, and 2020, respectively.

Contractual Maturities of Investment Securities

(in thousands) **As of December 31, 2022**	Amortized Cost
Five to ten years	**$ 64,600**
More than ten years	**49,983**
Total	**$ 114,583**

Actual maturity of the held-to-maturity investment securities may be less than contractual maturity due to prepayments.

A summary of investments in an unrealized loss position presented by the length of time the investments have been in a continuous unrealized loss position follows:

(in thousands)	Less than 12 months		Greater than 12 months	
As of December 31, 2022	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABS	**$ 45,750**	**$ (824)**	**$ 15,289**	**$ (291)**
Total	**$ 45,750**	**$ (824)**	**$ 15,289**	**$ (291)**

	Less than 12 months		Greater than 12 months	
As of December 31, 2021	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABS	$ 22,876	$ (337)	$ 1,302	$ (16)
Total	$ 22,876	$ (337)	$ 1,302	$ (16)

	Less than 12 months		Greater than 12 months	
As of December 31, 2020	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABS	$ 6,421	$ (35)	$ -	$ -
Total	$ 6,421	$ (35)	$ --	$ --

NOTE 6: NOTE PAYABLE TO AGRIBANK

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

Note Payable Information

(dollars in thousands) As of December 31	2022	2021	2020
Line of credit	**$ 5,000,000**	$ 5,000,000	$ 4,500,000
Outstanding principal under the line of credit	**4,538,616**	3,954,673	3,616,253
Interest rate	**3.0%**	1.2%	1.2%

Our note payable is scheduled to mature on July 31, 2024. We intend to renegotiate the note payable no later than the maturity date.

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

NOTE 7: MEMBERS' EQUITY

Capitalization Requirements

In accordance with the Farm Credit Act, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2.0% of the customer's total loan(s) or one thousand dollars, whichever is less. The purchase of a $5.00 participation certificate is required of all non-stockholder customers who purchase financial services. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan is made. The aggregate par value of the stock is added to the principal amount of the related obligation unless guaranteed by a federal program or required by the title company at closing, in which case, cash is collected for the value of the stock. We retain a first lien on the stock or participation certificates owned by customers.

Regulatory Capitalization Requirements

Regulatory Capital Requirements and Ratios

As of December 31	**2022**	2021	2020	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**17.5%**	19.4%	20.0%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**17.5%**	19.4%	20.0%	6.0%	2.5%	8.5%
Total capital ratio	**17.7%**	19.5%	20.1%	8.0%	2.5%	10.5%
Permanent capital ratio	**17.5%**	19.4%	20.0%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**19.0%**	20.9%	21.3%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**18.9%**	22.7%	23.3%	1.5%	N/A	1.5%

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

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

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

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

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

Description of Equities

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

	Number of Shares		
As of December 31	**2022**	2021	2020
Class C common stock (at-risk)	**1,580,100**	1,571,354	1,529,035
Participation certificates (at-risk)	**5,164**	4,343	2,182

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

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

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

In the event of our liquidation or dissolution, according to our bylaws, any remaining assets after payment or retirement of all liabilities will be distributed in the following order of priority:

- First, pro rata to all classes of preferred stock (if any) at par value
- Second, to the holders pro rata of all classes of common stock and participation certificates at par value

In the event of stock impairment, losses will be absorbed pro rata by all classes of common stock and participation certificates then by preferred stock, if any.

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

Patronage Distributions

We accrued patronage distributions of $43.1 million, $43.0 million, and $42.7 million at December 31, 2022, 2021, and 2020, respectively. Generally, the patronage distributions are paid in cash during the second quarter after year end. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

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

NOTE 8: INCOME TAXES

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in March 2020 in response to the COVID-19 pandemic. The CARES Act, among other things, allows net operating losses (NOLs) incurred in 2019, 2020, and 2021 to be carried back to each of the five preceding taxable years, resulting in a refund at the 35.0% federal statutory tax rate in effect at that time. A portion of the total refund remained receivable at December 31, 2022, and is included in “Other assets” in the Consolidated Statements of Condition. The effect of this revaluation on net deferred tax assets was recognized as a benefit in our provision for income taxes for the years ended December 31, 2021, and 2020.

Benefit from Income Taxes

Benefit from Income Taxes

(dollars in thousands)

For the year ended December 31	**2022**	2021	2020
Current:			
Federal	**$ (2)**	$ (1,262)	$ (1,744)
State	**--**	--	(383)
Total current	**$ (2)**	$ (1,262)	$ (2,127)
Deferred:			
Federal	**$ (1,037)**	$ 1,111	$ 308
State	**(519)**	(50)	(271)
Increase (decrease) in valuation allowance	**1,556**	180	(1,278)
Total deferred	**--**	1,241	(1,241)
Benefit from income taxes	**$ (2)**	$ (21)	$ (3,368)
Effective tax rate	**(0.0%)**	(0.0%)	(4.0%)

Reconciliation of Taxes at Federal Statutory Rate to Benefit from Income Taxes

(in thousands)

For the year ended December 31	**2022**	2021	2020
Federal tax at statutory rates	**$ 19,349**	$ 18,376	$ 17,796
State tax, net	**(421)**	(47)	(222)
Effect of non-taxable entity	**(20,526)**	(18,508)	(18,417)
Increase (decrease) in valuation allowance	**1,556**	180	(1,278)
Other	**40**	(22)	(1,247)
Benefit from income taxes	**$ (2)**	$ (21)	$ (3,368)

Deferred Income Taxes

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

Deferred Tax Assets and Liabilities

(in thousands)

As of December 31	**2022**	2021	2020
Allowance for loan losses	**$ 384**	$ 481	$ 532
Postretirement benefit accrual	**402**	402	403
Net operating loss carryforward	**2,851**	1,042	2,050
Accrued incentive	**700**	1,088	727
Accrued patronage income not received	**--**	(373)	(298)
AgriBank 2002 allocated stock	**(390)**	(390)	(390)
Accrued pension asset	**(1,624)**	(1,396)	(1,129)
Other assets	**117**	30	50
Total deferred tax assets	**2,440**	884	1,945
Valuation allowance	**(2,440)**	(884)	(704)
Deferred tax assets, net	**$ --**	$ --	$ 1,241
Gross deferred tax assets	**$ 4,454**	$ 3,043	$ 3,762
Gross deferred tax liabilities	**$ (2,014)**	$ (2,159)	$ (1,817)

A valuation allowance for the deferred tax assets was necessary at December 31, 2022, because we determined that the net deferred tax asset was not realizable due to our minimal projected future tax liability, primarily as a result of our patronage program.

We have not provided for deferred income taxes on patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. Our total permanent investment in AgriBank is $20.6 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $1.1 billion as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

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

NOTE 9: EMPLOYEE BENEFIT PLANS

Pension and Post-Employment Benefit Plans

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

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

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

AgriBank District Retirement Plan Information

(in thousands)

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

For the year ended December 31	**2022**	2021	2020
Total plan expense	**$ 30,475**	$ 28,048	$ 42,785
Our allocated share of plan expenses	**1,247**	1,243	2,105
Contributions by participating employers	**90,385**	90,000	90,000
Our allocated share of contributions	**3,980**	4,080	4,383

The unfunded liability reflects the net of the fair value of the plan assets and the projected benefit obligation at December 31. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The accumulated benefit obligation is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and based on current employee service and compensation. The funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

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

Benefits paid to participants in the District were $132.1 million in 2022. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plan during 2023 is $45.0 million. Our allocated share of these pension contributions is expected to be $2.0 million. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.

Nonqualified Retirement Plan: We also participate in the District-wide nonqualified defined benefit Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits.

Pension Restoration Plan Information

(in thousands)

As of December 31		2022		2021		2020
Our unfunded liability	**$**	**2,421**	$	2,206	$	1,182

For the year ended December 31		2022		2021		2020
Our cash contributions	**$**	**32**	$	32	$	88

The nonqualified plan is funded as the benefits are paid; therefore, there are no assets in the plan and the unfunded liability is equal to the projected benefit obligation. The amount of the pension benefits funding status is subject to many variables including interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their participants in the plan. The Pension Restoration Plan is unfunded and we make annual contributions to fund benefits paid to our retirees covered by the plan. Our cash contributions are equal to the benefits paid. There were no benefits paid under the Pension Restoration Plan to our senior officers who were actively employed during the year.

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

Defined Contribution Plans

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

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

Employer contribution expenses for these plans, included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income, were $2.2 million, $2.4 million, and $2.0 million in 2022, 2021, and 2020, respectively. These expenses were equal to our cash contributions for each year.

NOTE 10: RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions may be subject to special approval requirements contained in the FCA Regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with other persons. In our opinion, none of these loans outstanding at December 31, 2022, involved more than a normal risk of collectability.

Related Party Loans Information

(in thousands)

As of December 31		2022		2021		2020
Total related party loans	**$**	**39,509**	$	21,718	$	36,983

For the year ended December 31		2022		2021		2020
Advances to related parties	**$**	**30,726**	$	10,690	$	11,830
Repayments by related parties		**13,454**		10,046		9,945

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

As described in Note 6, we borrow from AgriBank, in the form of a line of credit, to fund our loan portfolio. All interest expense as shown on the Consolidated Statements of Comprehensive Income was paid to AgriBank.

Total patronage from AgriBank, which includes a partnership distribution from AgDirect, LLP, was $32.5 million, $32.2 million, and $30.7 million in 2022, 2021, and 2020, respectively. Patronage income for 2022 and 2021 was received in cash and AgriBank stock. Patronage income for 2020 was received in cash.

In addition, we received compensation from AgriBank for servicing loans of $549 thousand, $634 thousand, and $466 thousand in 2022, 2021, and 2020, respectively.

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

As of December 31, 2022, we purchased various services from AgriBank and SunStream Business Services (SunStream), a separate service entity formed on April 1, 2020. AgriBank continues to provide financial reporting services while SunStream provides tax reporting services, insurance, and various ancillary business and technology services. We also purchase human resource, benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). SunStream and Foundations are both System service corporations within the AgriBank District and the costs incurred are included in the table below in AgriBank District purchased services. In addition to the services we purchase from AgriBank, SunStream, and Foundations we also hold an investment in AgriBank and Foundations.

Our customer relationship, reporting, internet, network security, loan accounting, loan origination, and general ledger systems are provided by Farm Credit Financial Partners, Inc. (FPI), a System service corporation, which provides technology and other operational services to its owners. In addition we hold an equity investment in FPI.

Additional Related Party Information

(in thousands)

As of December 31		2022		2021		2020
Investment in AgriBank	**$**	**175,723**	$	142,574	$	137,515
Investment in AgDirect, LLP		**18,531**		16,096		11,494
Investment in Foundations		**29**		29		29
Investment in FPI		**10,322**		10,305		9,889

For the year ended December 31		2022		2021		2020
AgriBank District purchased services	**$**	**1,243**	$	882	$	781
FPI purchased services		**9,904**		8,089		7,801

NOTE 11: CONTINGENCIES AND COMMITMENTS

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

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

We have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. At December 31, 2022, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $1.6 billion. Additionally, we had $26.3 million of issued standby letters of credit as of December 31, 2022.

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

We and other Farm Credit institutions are among the limited partners for Rural Business Investment Companies (RBICs). As of December 31, 2022, our total commitment is $20.0 million of which $11.9 million is unfunded, with varying commitment end dates through September 2032. Certain commitments may have an option to extend under certain circumstances.

NOTE 12: FAIR VALUE MEASUREMENTS

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

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

Non-Recurring Basis

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

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of December 31, 2022	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	**$ --**	**$ --**	**$ 3,260**	**$ 3,260**

As of December 31, 2021	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$ 2,143	$ 2,143

As of December 31, 2020	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$ 327	$ 327

Valuation Techniques

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

NOTE 13: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 3, 2023, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our 2022 Consolidated Financial Statements or disclosure in the Notes to Consolidated Financial Statements.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

Farm Credit Illinois, ACA

(Unaudited)

Description of Business

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

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

Description of Property

Property Information

Location	Description	Usage
Belleville	Owned	Held for Sale(1)
Decatur	Owned	Branch
Effingham	Owned	Branch
Highland	Owned	Branch
Jacksonville	Owned	Branch
Jerseyville	Owned	Branch
Lawrenceville	Owned	Branch
Lawrenceville	Owned	Land(3)
Mahomet	Owned	Headquarters/Branch
Marion	Owned	Branch
Mt. Vernon	Owned	Branch
Paris	Owned	Held for Sale(2)
Paris	Owned	Construction in Progress(2)
Red Bud	Owned	Branch
Sherman	Owned	Branch
Taylorville	Owned	Branch(3)
Watseka	Owned	Branch

(1)The Belleville building was sold during 2017, however there is an attached lot that remains for sale.

(2)As of December 31, 2022, the Paris branch location was held for sale, with plans to complete construction of a new branch location in Paris during 2023.

(3)During 2022, land was purchased in Lawrenceville and a new branch location was constructed and occupied in Taylorville.

Legal Proceedings

Information regarding legal proceedings is included in Note 11 to the Consolidated Financial Statements in this Annual Report. We were not subject to any enforcement actions as of December 31, 2022.

Description of Capital Structure

Information regarding our capital structure is included in Note 7 to the Consolidated Financial Statements in this Annual Report.

Description of Liabilities

Information regarding liabilities is included in Notes 6, 7, 8, 9, and 11 to the Consolidated Financial Statements in this Annual Report. All debt and other liabilities in the financial statements are uninsured.

Selected Financial Data

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

Management’s Discussion and Analysis

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

Board of Directors

Our Board of Directors is organized into the following committees to carry out Board responsibilities:

- **Risk Committee:** The primary function of the Risk Committee is to assist the Board of Directors in fulfilling its fiduciary responsibilities relative to risk in non-financial areas that go beyond the authority of the Audit Committee. This includes ongoing monitoring of the Association's risk profile, conformance with the Association's risk appetite, and adherence to risk management policies and procedures. The Risk Committee's role is one of oversight, recognizing management is responsible for designing, implementing and maintaining an effective Enterprise Risk Management program.
- **Audit Committee:** The purpose of the Audit Committee is to oversee financial reporting, the adequacy of our internal control systems, the scope of our internal audit program, the independence of outside auditors, and the processes for monitoring compliance with laws and regulations and the code of ethics. The Audit Committee also oversees the adequacy of management's action with respect to recommendations arising from auditing activities.
- **Compensation Committee:** The Compensation Committee assists the Board of Directors in fulfilling its responsibility for oversight of the compensation plan for senior officers and employees of the Association. The Association's compensation programs are to be designed to attract and retain the best personnel to allow the Association to achieve its goals and maintain its competitive posture.
- **Executive Committee:** The Executive Committee shall consult with the Association CEO to identify and prioritize issues to be presented to the full Board and approve the Board meeting agenda. Other responsibilities of the Executive Committee include approval of the CEO's expense report and oversight of the business planning process.
- **Governance Committee:** The primary function of the Governance Committee is to assist the Board of Directors in fulfilling its fiduciary responsibilities relating to governance of the Association, including Board organization, membership and function; the nomination and election process for Board and Nominating Committee members; Board committee structure and oversight; knowledge of and adherence to prescribed Standards of Conduct; annual self-evaluation of Board performance; and Board training opportunities.

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

Name	Principal occupation and other business affiliations
David Allspach(1) **Board Service Began:** 2022 **Current Term Expires:** 2025	**Principal occupation:** Self-employed grain and livestock farmer
Marc Bremer **Board Service Began:** 2020 **Current Term Expires:** 2023	**Principal occupation:** Self-employed grain and livestock farmer Owner Bremer Brothers Farm LLC
Kent Brinkmann **Board Service Began:** 1998 **Current Term Expires:** 2025	**Principal occupation:** Self-employed grain farmer **Other business affiliations:** President: Carlyle FFA Alumni
Adam Brown **Vice Chairperson** **Board Service Began:** 2020 **Current Term Expires:** 2023	**Principal occupation:** Self-employed grain farmer - owner of B&B Farms **Other business affiliations:** Director/Treasurer: Macon County Farm Bureau
Michael Donohoe(1) **Appointed Director** **Board Service Began:** 2019 **Current Term Expires:** 2026	**Principal occupation:** Head of Department of Accountancy at the University of Illinois at Urbana-Champaign Professor of Accountancy at the University of Illinois at Urbana-Champaign Former Associate Professor of Accountancy at the University of Illinois at Urbana-Champaign **Other business affiliations:** Director and Officer: Pixels by Emily Donohoe, Inc. (photography studio) Director and Officer: Sunchaser Consulting Corp. (expert witness and litigation consulting)
Wesley Durbin **Board Service Began:** 2010 **Current Term Expires:** 2026	**Principal occupation:** Self-employed grain and livestock farmer **Other business affiliations:** Treasurer: Shelby County Pork Producers Youth Leader: Ful-O-Pep 4H Club Director: Shelby County Land Assessment

Name	Principal occupation and other business affiliations
David Haase[2] **Chairperson** **Board Service Began:** 2017 **Current Term Expires:** 2025	**Principal occupation:** Self-employed grain farmer **Other business affiliations:** Director: Farm Credit Council, a national trade association representing the Farm Credit System Director: AgriBank District Farm Credit Council, a regional trade association representing the AgriBank District Vice-President: Iroquois West Community Unit School District #10, a K-12 public school Director: Illinois Association of Drainage Districts, an education and policy advocacy group Director: Ford-Iroquois Farm Bureau, a farm advocacy group Director: LaHogue Drainage District #1
Lisa Helmink[1] **Board Service Began:** 2017 **Current Term Expires:** 2024	**Principal occupation:** Self-employed grain and livestock farmer Accountant: Custom Accounting Clinic Manager: Clinton County Veterinary Services, Ltd.
Steve Hettinger[2] **Board Service Began:** 2018 **Current Term Expires:** 2024	**Principal occupation:** Self-employed grain farmer Owner/Manager: Precision Planting Dealership Manager: VeriFly-Drone Scouting LLC Former Owner: seed dealership **Other business affiliations:** Director: Premier Cooperative, a grain elevator
Anne Larocca[1] **Appointed Director** **Board Service Began:** 2021 **Current Term Expires:** 2024	**Principal occupation:** Project Manager: Willis Towers Watson Former Senior Account Manager: Bswift
Kevin Miller[1] **Board Service Began:** 2012 **Current Term Expires:** 2023	**Principal occupation:** Self-employed grain farmer **Other business affiliations:** Director: South American Soy, a Brazilian farm investment group Treasurer: Lutheran Care Center Chairperson: North Island Creek Drainage District Secretary/Treasurer: South Island Creek Drainage District Chairperson: Rotary Charities Foundation of Effingham
Eric J. Mosbey **Board Service Began:** 2015 **Current Term Expires:** 2026	**Principal occupation:** Self-employed grain farmer General Manager: Lincolnland Agri-Energy, LLC President/Co-Owner: Mosbey Farms, Inc.
Joseph Pickrell **Board Service Began:** 2021 **Current Term Expires:** 2024	**Principal occupation:** Self-employed grain farmer Operator of seed dealership - Beck's Hybrids
Evan Schuette **Board Service Began:** 2021 **Current Term Expires:** 2026	**Principal occupation:** Self-employed grain and livestock farmer and seed sales

(1)Member of the Audit Committee as of December 31, 2022

(2)As of January 2023, Steve Hettinger is the Chairperson to the Board

Pursuant to our bylaws, directors are paid a reasonable amount for attendance at board meetings, committee meetings, or other special assignments. Directors are also reimbursed for reasonable expenses incurred in connection with such meetings or assignments. Our Board of Directors has adopted a rate of $700 per day. Directors also receive quarterly retainer fees. The retainer fees paid in 2022 were $4.5 thousand for the Board Chairperson, $4.0 thousand for the Board Vice-Chairperson, the Board Financial Expert, and each Committee Chairperson, and $3.5 thousand for all other directors. If a director holds multiple committee positions, the director is compensated only one retainer equal to the higher of the applicable amounts.

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

Name	Number of Days Served: Board Meetings	Number of Days Served: Other Official Activities	Compensation Paid for Service on Audit Committee	Compensation Paid for Service on Executive Committee	Compensation Paid for Service on Compensation Committee	Compensation Paid for Service on Governance Committee	Compensation Paid for Service on Risk Committee	Total Compensation Paid in 2022
David Allspach	7.5	27.0	$ 4,200	$ -	$ -	$ -	$ -	$ 38,150
Marc Bremer	7.5	33.0	-	-	-	-	2,800	42,350
Kent Brinkmann	7.0	20.0	350	3,150	350	350	-	32,900
Adam Brown	6.0	41.0	350	2,800	350	350	-	48,900
Michael Donohoe	7.0	8.0	5,150	-	-	-	-	26,500
Wesley Durbin	7.5	8.0	-	-	-	-	4,100	26,850
David Haase	7.0	36.0	350	2,800	350	350	-	48,100
Lisa Helmink	7.5	23.0	3,500	700	-	-	-	35,350
Steve Hettinger	7.0	16.0	-	700	-	-	2,100	30,100
Anne Larocca	8.0	13.0	6,550	700	-	-	-	30,700
Kevin Miller	7.0	30.0	3,500	-	-	-	-	39,900
Eric J. Mosbey	7.0	12.5	-	700	-	-	2,800	27,650
Joseph Pickrell	7.0	24.5	-	2,800	350	2,350	-	38,050
Evan Schuette	7.5	33.5	-	-	-	-	2,450	42,700
								$ 508,200

Total compensation includes retainers and all per diems paid in 2022.

Senior Officers

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

Name and Position	Business experience and other business affiliations
Aaron S. Johnson President and Chief Executive Officer	**Business experience:** President and Chief Executive Officer since January 2020 Interim President and Chief Executive Officer from September 2019 to December 2019 Executive Vice President and Chief Operations Officer from 2014 to 2019 **Other business affiliations:** Board of Directors, Vice Chair, Audit Committee: Farm Credit Financial Partners Inc. Manager: Bourbon Hill LLC - a 125 acre farm
Stephen W. Carson[(1)] Executive Credit Counsel	**Business experience:** Executive Credit Counsel since December 2022 Executive Vice President from January 2020 to December 2022, and: Interim Chief Credit Officer since August 2022 to December 2022 Chief Risk Officer from January 2020 to August 2021 Senior Vice President and Chief Risk Management Officer from January 2019 to December 2019 Senior Vice President and Chief Credit Officer from February 2017 to January 2019 **Other business affiliations:** Director: ProPartners Financial Board of Managers: Capital Markets Group
Jim Dunne Senior Vice President and Chief Risk Officer	**Business experience:** Senior Vice President and Chief Risk Officer since September 2021 Director of Enterprise Risk Management, TCF Bank from 2009 to 2021
Kelly D. Hunt Executive Vice President and Chief Financial Officer	**Business experience:** Executive Vice President and Chief Financial Officer since December 2022 Senior Vice President and Chief Financial Officer from January 2016 to November 2022 **Other business affiliations:** Board of Directors, Treasurer, Finance Committee: Parkland College Foundation Member: University of Illinois Department of Accountancy Alumni External Advisory Board
Robert H. Rhode Senior Vice President and General Counsel	**Business experience:** Senior Vice President since January 2016 and General Counsel since January 2014 **Other business affiliations:** Trustee: Farm Credit Foundations Trust Committee

Name and Position	Business experience and other business affiliations
Shaun Murray Senior Vice President and Chief Operating Officer	**Business experience:** Senior Vice President and Chief Operating Officer since January 2019 Regional Vice President Lending from 2010 to 2019
Ryan W. Berg Senior Vice President and Chief Administrative Officer	**Business experience:** Senior Vice President and Chief Administrative Officer since November 2014 **Other business affiliations:** Board of Directors: Farm Credit Financial Partners Inc.
Michael A. Gunderson Chief Credit Officer	**Business experience:** Chief Credit Officer since November 2022 Head of Research and Strategy, MetLife Investment Management from 2019 to October 2022 Professor, Purdue University from 2012 to 2019 **Other business affiliations:** Board Member: University of Illinois ACES Alumni Association

(1) Transitioned to part-time status, effective December 1, 2022, assuming the role of Executive Credit Counsel

Information related to 2022 compensation paid to senior officers will be provided in our 2023 Annual Meeting Information Statement (AMIS). The AMIS is available for public inspection at our corporate office located in Mahomet, IL.

Transactions with Senior Officers and Directors

Information regarding related party transactions is included in Note 10 to the Consolidated Financial Statements in this Annual Report.

Travel, Subsistence, and Other Related Expenses

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

1100 Farm Credit Drive
Mahomet, IL 61853
(217) 590-2200
www.farmcreditIL.com

The total directors' travel, subsistence, and other related expenses were $251 thousand, $157 thousand, and $119 thousand in 2022, 2021, and 2020, respectively.

Involvement in Certain Legal Proceedings

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

Member Privacy

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

Relationship with Qualified Public Accountant

There were no changes in the independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total financial statement audit fees paid during 2022 were $67 thousand. Our engagement letter commits to reimbursing the external auditor for reasonable out-of-pocket expenses as incurred for travel. In addition, we incurred $5 thousand for tax services. We also incurred $13 thousand for work related to our implementation of new accounting guidance, which was pre-approved by the Audit Committee.

Financial Statements

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

Young, Beginning, and Small Farmers and Ranchers

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

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

Farm Credit Illinois, ACA

(Unaudited)

Definitions and Mission

Consistent with Farm Credit Administration (FCA) Regulations, the following definitions have been used in identifying young, beginning, and small farmers and ranchers (YBS) loans and in preparing the required reports pertaining to Farm Credit Illinois, ACA (FCI)'s performance in serving the YBS farmers in its territory:

Young Borrower – A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date will be coded as "young" per FCA Regulations. FCI's program called FreshRoots, defines program eligibility including discounted rates and/or relaxed guidelines as age 40 or younger as of the loan application date. Although program eligibility allows for applicants between the ages of 35 to 40, FCI continues to identify "young" farmers as defined by FCA.

Beginning Borrower – A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan application date.

Small Borrower – A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $250 thousand in annual gross sales of agricultural or aquatic products.

Many "young" and/or "beginning" farmers will also meet the FCA definition of a "small" farmer. FCI feels that its traditional loans, and especially it's scorecard loan program, adequately addresses the needs of the "small" farmers not meeting the definition of a "young" or "beginning" farmer.

FCI's objective is to provide farm families and the rural marketplace with constructive credit, related services, and financial expertise. The mission of the FreshRoots program is to provide financing and learning development opportunities to young or beginning farmers to further their success, while ensuring lifetime partnerships with FCI. The Association will accomplish this by:

- Providing discounted interest rates for up to a maximum period of five years through the FreshRoots Loan Program for young and/or beginning farmers
- Offering learning incentives for young and beginning farmers that attend educational workshops with the intent of encouraging personal growth and professional development
- Provide relaxed lending standards for approval within the eligibility guidelines which includes aggregate loan limitations to limit risk. Exceptions to limits and other credit standards are considered when there are other adequate offsetting credit strengths
- Making full use of guaranteed loan programs through the State of Illinois and the United States Department of Agriculture (USDA) Farm Service Agency (FSA)
- Establish both quantitative portfolio targets and qualitative goals for services offered
- Continuing to participate in numerous outreach programs which benefit YBS farmers
- Utilize the FreshRoots Member Advisory Committee (MAC) to provide views and feedback on serving YBS farmers
- Fully utilizing a streamlined application and approval process for small loans

In order to limit the risk to the Association for those loans approved under the FreshRoots Loan Program, total loans to one borrower are limited to an aggregate limit of $1.0 million for production and intermediate-term Production Credit Association (PCA) loans and $2.0 million for real estate Federal Land Credit Association (FLCA) loans eligible for relaxed underwriting standards. The limits for discounted interest rates are $500 thousand for production and intermediate-term PCA loans and $1.0 million for real estate FLCA loans. Exceptions to this limit and other credit standards under this program are considered when there are other adequate offsetting credit strengths.

2022 Goals and Actual Results

As required by board policy, quantitative targets and qualitative goals for YBS loans are established on an annual basis for the succeeding 3 years. The following goals and targets were established for 2022:

(dollars in thousands)

Category	Number of New Loans Closed	Number of Loans Outstanding	Total Loan Volume	Percent of Total Loans
Young Farmer	1,200	3,700	$ 595,000	19.0%
Beginning Farmer	1,100	3,800	$ 620,000	21.0%
Small Farmer	1,900	6,900	$ 714,000	38.0%
Outreach Program - Goal for total number of activities			95	

The following table details the level of new business generated in 2022 plus the level of volume outstanding as of December 31, 2022, both by number of loans and by volume for young and beginning farmers and ranchers. "Volume Outstanding" in the chart below represents the principal and unfunded commitments net of funds held outstanding as of December 31, 2022.

(dollars in thousands)

	Number of Loans	Percent of Total	Volume Outstanding	Percent of Total
Total gross new loans and commitments made during the year	6,332		$ 1,778,085	
Total loans and commitments made to young farmers and ranchers	1,279	20.2%	301,357	16.9%
Total loans and commitments made to beginning farmers and ranchers	1,383	21.8%	349,155	19.6%

The following table details the level of business outstanding as of December 31, 2022, by number of loans and by volume for young and beginning farmers and ranchers. "Volume Outstanding" in the chart below represents the principal and unfunded commitments net of funds held outstanding as of December 31, 2022.

(dollars in thousands)

	Number of Loans	Percent of Total	Volume Outstanding	Percent of Total
Total loans and commitments outstanding at year end	19,189		$ 6,461,058	
Young farmers and ranchers	4,016	20.9%	731,593	11.3%
Beginning farmers and ranchers	4,742	24.7%	897,212	13.9%

The following tables detail the level of new business generated in 2022 plus the level of business outstanding as of December 31, 2022, both by number of loans and by volume for small farmers and ranchers.

(dollars in thousands)

	$0 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 and greater	Total
Total number of new loans and commitments made during the year	1,031	867	1,349	3,085	6,332
Total number of loans made to small farmers and ranchers during the year	700	481	448	226	1,855
Number of loans to small farmers and ranchers as a % of total number of loans	67.9%	55.5%	33.2%	7.3%	29.3%
Total gross loan volume of all new loans and commitments made during the year	$ 31,171	$ 68,070	$ 228,121	$ 1,450,723	$ 1,778,085
Total gross loan volume to small farmers and ranchers	20,148	36,486	72,151	123,754	252,539
Loan volume to small farmers and ranchers as a % of total gross new loan volume	64.6%	53.6%	31.6%	8.5%	14.2%
Total number of loans and commitments outstanding at year end	5,361	3,142	4,917	5,769	19,189
Total number of loans to small farmers and ranchers	3,054	1,613	1,890	956	7,513
Number of loans to small farmers and ranchers as a % of total number of loans	57.0%	51.3%	38.4%	16.6%	39.2%
Total loan volume outstanding at year end	$ 123,095	$ 237,340	$ 829,006	$ 5,271,617	$ 6,461,058
Total loan volume to small farmers and ranchers	69,644	120,125	301,583	465,425	956,777
Loan volume to small farmers and ranchers as a % of total loan volume	56.6%	50.6%	36.4%	8.8%	14.8%

As of December 31, 2022, all targets and goals were met except for the number of new loans to small farmers. There were 1,855 loans made to small farmers during 2022 which is less than the 1,900 goal.

Association Results as Compared to 2017 USDA Ag Census Demographics

Through the Farm Credit Council, the Association has obtained a special tabulation of the 2017 USDA Census of Agriculture; used as the following source of demographic data for comparison to FCI's performance in serving young, beginning, and small farmers and ranchers. This special tabulation includes only those farms in FCI's chartered territory that have debt and annual gross sales of at least $10 thousand.

Percentages by Number

As of December 31, 2022	Young	Beginning	Small
Farm Credit Illinois, ACA	20.9%	24.7%	39.2%
2017 Census data	18.8%	25.5%	55.8%

The Association’s business activity with “young” farmers is above the demographics of the marketplace. Business activity with “beginning” farmers is marginally below the demographics of the marketplace. Business activity with “small” farmers is below the demographics of the marketplace. Given the current economic and agronomic conditions, particularly yields and price of commodities, FCI has seen more “small” farmers’ annual gross sales rising above the $250 thousand threshold. Furthermore, overall financial health, particularly robust famer liquidity, is impacting financing requests.

Qualitative Goals

- Offer related services and lending programs either directly or in coordination with others that are responsive to the needs of YBS farmers in the Association’s territory.
- Take full advantage of opportunities for coordination of credit and services offered to those who qualify as YBS farmers.
- Implement effective outreach programs to attract YBS farmers, which may include the use of advertising campaigns, educational credit, and service programs beneficial to YBS farmers in the Association’s territory, as well as an advisory committee comprised of YBS farmers to provide views on how the credit and services of the Association could best service the credit and services needs of YBS farmers.

Government Guarantees

As a means to control risk in some situations, co-makers or guaranteed loan programs through the State of Illinois and the USDA FSA are utilized when possible. During the past few years FCI has utilized several types of FSA programs for real estate FLCA loans:

- FSA Direct Down Payment Farm Ownership Program: This program is specific for a purchase of a farm by a beginning or underserved farmer. FCI loans 50.0% of the real estate purchase for a 30-year term (with most having a reduced interest rate for the first 5 years under the FreshRoots program), FSA loans 45.0% for a 20-year term at a fixed interest rate, and the customers are required to put 5.0% down. One additional advantage of this program that FCI has utilized (in most cases to reduce loan risk), is to obtain a 95.0% FSA loan guarantee on the FLCA loan at no additional charge to the member.
- FSA Direct Farm Ownership: This program can be utilized to purchase a farm by all eligible farmers (not specific to beginning farmers). FCI loans 50.0% of the real estate purchase with typical terms of 20-30 years with eligible FreshRoots borrowers receiving a discounted interest rate for the first 5 years. FSA loans 50.0% with terms up to a 40-year term at a fixed interest rate. No down payment is required. FCI can obtain a 90.0% FSA loan guarantee where applicable to mitigate or reduce loan risks with a fee payable to FSA. FCI pays the guarantee fee for eligible FreshRoots members.
- FCI may also choose to obtain a guarantee from FSA (typically 90.0%) with no direct funds from FSA; all FLCA funds are obtained through FCI. Under the FreshRoots program, FLCA Loan to Value (L/V) is limited to a maximum of 85.0% with an FSA guarantee (L/V ranging from 70.0-85.0% typically requires a guarantee). While FSA provides no direct funds to the borrower, they are involved by providing a guarantee to the Association based on the Loan to Value. Other scenarios may apply, such as a borrower utilizing the reduced lending standards allowed within the FreshRoots program which may result in the Association obtaining a guarantee.

During 2022, the Association originated 67 new FSA guaranteed loans to young, beginning, and/or small farmers with a year-end volume of $174.0 million. Total volume for YBS government guaranteed loans was $97.0 million at December 31, 2022. Guaranteed loans for 2022 were above the goal of 40 new loans, and the goal of total loan volume outstanding of $42.0 million was exceeded at $97.0 million.

Outreach Activities

The Association develops an annual marketplace engagement plan which includes special emphasis on the young, beginning, and small farmer segments in the marketplace to promote Farm Credit products and services and demonstrate our commitment to serving these market populations.

FCI staff participated in a total of 120 YBS outreach activities in 2022 which exceeded the goal of 95 for the year. Outreach activities to YBS farmers include but are not limited to:

- Young and Beginning Farmer Forum
- Member Advisory Council Meetings
- Farm Credit College Educational Workshops
- Cultivating Master Farmers Mentoring Program
- Illinois Farm Bureau's Young Leader sponsorship
- FCI Agriculture Scholarship Program
- FCI Community Improvement Grants
- The Association’s Community College Outreach Initiative partners
- Farm Credit Newsroom at the Illinois State FFA Convention

Quantitative Targets and Qualitative Goals

The Association’s quantitative targets and qualitative goals for the next 3 years are as follows:

(dollars in thousands)

Category	Number of New Loans Closed	Number of Loans Outstanding	Total Loan Volume	Percent of Total Loans
2023 Young Farmer	1,230	3,730	$ 620,000	19.0%
2024 Young Farmer	1,300	3,760	645,000	19.0%
2025 Young Farmer	1,310	3,800	670,000	19.0%
2023 Beginning Farmer	1,110	3,830	$ 622,000	21.0%
2024 Beginning Farmer	1,120	3,860	624,000	21.0%
2025 Beginning Farmer	1,150	3,890	645,000	21.0%
2023 Small Farmer	1,930	6,900	$ 716,000	38.0%
2024 Small Farmer	1,960	6,900	718,000	38.0%
2025 Small Farmer	1,960	6,900	720,000	38.0%
YBS Government Guaranteed Loan Goal	50	N/A	$ 42,000	N/A
Outreach Program - Goal for total number of activities		100		

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Farm Credit Illinois supports farm families and Rural America – **Helping Farm Families Succeed** today and tomorrow. The farmer-owned agricultural lending cooperative serves the southern 60 counties with reliable, consistent credit, financial services, and Rural 1st® financing for country living. Contact your local office for more information on farm and country life loans or crop insurance.

REGIONAL OFFICE LOCATIONS

DECATUR	800-327-1105
EFFINGHAM	800-331-9825
HIGHLAND	800-281-1344
JACKSONVILLE	800-537-3088
JERSEYVILLE	800-537-3087
LAWRENCEVILLE	800-247-7953
MAHOMET	800-327-2141
MARION	800-398-7538
MT. VERNON	855-862-5280
PARIS	800-345-6258
RED BUD	800-261-3522
SHERMAN	800-475-6103
TAYLORVILLE	800-635-1057
WATSEKA	800-808-5431

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