



2022 ANNUAL REPORT

FARM CREDIT

SOUTHEAST MISSOURI



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Farm Credit Southeast Missouri, ACA

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MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



Dear Farm Credit Southeast Missouri, ACA Customer-Owners:

It has been another eventful, yet successful, year here at Farm Credit Southeast Missouri, ACA (the Association), "**YOUR Ag Lender!**"

For the most part we have put the COVID-19 pandemic behind us and are looking forward to 2023.

The Association hit a major milestone this year by reporting more than \$1.0 billion in total assets at the end of the third quarter. Although we finished the year slightly under \$1.0 billion, we are very proud of the hard work by the entire Farm Credit Southeast Missouri, ACA team in achieving another year of exceptional growth.

The Association finished the year strong with net income of \$19.8 million. The Association's adjusted pretax return on assets was healthy, ending the year at 2.2%, and credit quality was very strong at 99.5% as of year end. The Association also remains financially sound with over \$195.9 million, or 18.0%, in capital.

As a result of strong net income, strong capital position, and the overall financial strength of the Association, the Board of Directors approved a new record high cash patronage of \$8.5 million which was paid out to all of our customer-owners in early 2023. The Board of Directors continues the tradition of returning profits to you, the customer-owner, by "**Putting Our Profits in Your Pockets.**"

Although we finished the year financially strong, it certainly didn't appear we were going to get there halfway through the year. You, our customer-owners, were facing the headwinds of inflation, high input costs, and 100+ degree days, sometimes a week at a time, with little to no rain. Although a majority of the farmers within our territory have irrigation and were able to make it through the hot, dry summer months, not all were as fortunate. For those customer-owners that faced adversity, Farm Credit Southeast Missouri, ACA was there to help during those trying times. If you ever have difficulty during the year, please contact your local Farm Credit Southeast Missouri, ACA branch office and talk to your loan officer so that we can provide assistance and work together to establish a plan.

Fortunately, the year ended better than we had anticipated. We were blessed with a good harvest season which recognized stronger than expected yields along with higher than expected commodity prices. We are now working our way through renewal season to provide the operating funds you need to have another successful year. Please never hesitate to contact your branch office and loan officer if we can help.

None of these great accomplishments would be possible without you, our customer-owners. I look forward to continuing to travel throughout the Association's territory this year to meet and visit with you.

The Board of Directors, the entire Association staff, and I truly appreciate your business!

At Farm Credit Southeast Missouri, ACA we are "**YOUR Ag Lender!**"



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

March 10, 2023

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Farm Credit Southeast Missouri, ACA

(dollars in thousands)

As of December 31	2022	2021	2020	2019	2018
Condensed Statement of Condition Data					
Loans	\$ 872,187	\$ 841,287	\$ 751,512	\$ 670,541	\$ 670,743
Allowance for loan losses	1,009	1,265	911	668	526
Net loans	871,178	840,022	750,601	669,873	670,217
Investment in AgriBank, FCB	27,518	22,899	19,392	15,867	13,106
Investment securities	22,366	16,726	21,111	24,239	801
Other assets	29,879	26,465	23,832	22,655	21,349
Total assets	\$ 950,941	\$ 906,112	\$ 814,936	\$ 732,634	\$ 705,473
Obligations with maturities of one year or less	\$ 18,163	\$ 14,482	\$ 13,490	\$ 13,650	\$ 13,071
Obligations with maturities greater than one year	736,861	706,978	628,749	557,241	540,118
Total liabilities	755,024	721,460	642,239	570,891	553,189
Capital stock and participation certificates	1,643	1,670	1,623	1,631	1,733
Unallocated surplus	194,247	182,982	171,076	160,112	150,551
Accumulated other comprehensive income (loss)	27	--	(2)	--	--
Total members' equity	195,917	184,652	172,697	161,743	152,284
Total liabilities and members' equity	\$ 950,941	\$ 906,112	\$ 814,936	\$ 732,634	\$ 705,473
For the year ended December 31	2022	2021	2020	2019	2018
Condensed Statement of Income Data					
Net interest income	\$ 25,823	\$ 24,407	\$ 23,152	\$ 21,403	\$ 20,744
Provision for credit losses	(237)	384	277	193	10
Other expenses, net	6,295	3,867	4,180	4,399	4,800
Net income	\$ 19,765	\$ 20,156	\$ 18,695	\$ 16,811	\$ 15,934
Key Financial Ratios					
For the Year					
Return on average assets	2.1%	2.3%	2.4%	2.3%	2.3%
Return on average members' equity	10.3%	11.2%	11.2%	10.7%	10.8%
Net interest income as a percentage of average earning assets	3.0%	3.0%	3.1%	3.1%	3.2%
Net charge-offs (recoveries) 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	20.6%	20.4%	21.2%	22.1%	21.6%
Allowance for loan losses as a percentage of loans	0.1%	0.2%	0.1%	0.1%	0.1%
Common equity tier 1 ratio	18.0%	18.6%	19.5%	20.8%	20.1%
Tier 1 capital ratio	18.0%	18.6%	19.5%	20.8%	20.1%
Total capital ratio	18.1%	18.8%	19.7%	20.9%	20.1%
Permanent capital ratio	18.0%	18.7%	19.6%	20.8%	20.1%
Tier 1 leverage ratio	18.2%	18.6%	19.2%	20.2%	19.7%
Net Income Distributed					
For the Year					
Patronage distributions:					
Cash	\$ 8,250	\$ 7,750	\$ 7,231	\$ 7,100	\$ 6,997

MANAGEMENT'S DISCUSSION AND ANALYSIS

Farm Credit Southeast Missouri, ACA

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Southeast Missouri, ACA (the Association) and its subsidiaries, Farm Credit Southeast Missouri, FLCA and Farm Credit Southeast Missouri, 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

Land Values: Average 2022 benchmark farmland value increased 14.1% compared to an increase of 7.1% and decrease of 0.7% in 2021 and 2020, respectively. In the five years prior to 2020, the average increase was 14.5% per year. The strong growth in 2022 is indicative of the higher commodity prices compared to prior years.

Commodity Prices: We continue to see some volatility in the commodity market related to global supply (Russia-Ukraine War) and demand (China) concerns, but U.S. grain future prices remain at strong, record levels. We anticipate there may be quite a bit of carryover of 2022 crop into 2023 as producers will be inclined to store crops not previously contracted.

Crop Conditions: The fourth quarter was dry with average to below average rainfall seen across the territory. Harvest was completed timely and wheat acres planted as intended. Yields were average across the territory with some below average yields reported for corn and some above average yields reported for cotton. Overall, 2022 was a good crop year.

LOAN PORTFOLIO

Loan Portfolio

Total accrual loans were \$871.7 million at December 31, 2022, an increase of \$31.1 million from December 31, 2021.

Components of Loans

(in thousands)

As of December 31	2022	2021	2020
Accrual loans:			
Real estate mortgage	\$ 528,982	\$ 509,168	\$ 438,184
Production and intermediate-term	287,362	277,527	260,980
Agribusiness	22,044	18,698	14,328
Other	33,361	35,305	37,718
Nonaccrual loans	438	589	302
Total loans	\$ 872,187	\$ 841,287	\$ 751,512

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

We have sold to AgriBank participation interests in certain loans as part of pool programs. The total outstanding participation interests in these programs were \$44.1 million, \$37.0 million, and \$20.9 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.

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 Missouri. The remainder of our portfolio is purchased outside of the state to support rural America and to diversify our portfolio risk. Approximately 82.8% of our total loan portfolio was in Butler, Dunklin, Stoddard, Scott, Mississippi, New Madrid, and Cape Girardeau counties, in the State of Missouri at December 31, 2022.

Agricultural Concentrations

As of December 31	2022	2021	2020
Soybeans	22.2%	20.9%	21.2%
Cotton	21.6%	18.9%	20.3%
Rice	17.5%	17.3%	15.6%
Corn	15.1%	16.4%	17.9%
Livestock	6.4%	6.5%	6.8%
Landlords	5.0%	3.6%	3.9%
Processing and marketing	1.7%	2.2%	2.4%
Other	10.5%	14.2%	11.9%
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 0.5% of the portfolio at December 31, 2022, from 1.2% of the portfolio at December 31, 2021. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses. Additional credit quality information is included in Note 3 to the accompanying Consolidated Financial Statements.

In certain circumstances, the Federal Agricultural Mortgage Corporation (Farmer Mac) and other government agency guarantee programs are used to reduce the risk of loss. At December 31, 2022, \$48.7 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	\$ 438	\$ 589	\$ 302
Accruing restructured	--	266	281
Accruing loans 90 days or more past due	1,899	1,651	1,066
Total risk loans	2,337	2,506	1,649
Other property owned	--	--	--
Total risk assets	\$ 2,337	\$ 2,506	\$ 1,649
Total risk loans as a percentage of total loans	0.3%	0.3%	0.2%
Nonaccrual loans as a percentage of total loans	0.0%	0.1%	0.0%
Current nonaccrual loans as a percentage of total nonaccrual loans	57.1%	44.1%	17.9%
Total delinquencies as a percentage of total loans	0.3%	0.8%	0.5%

Note: Accruing loans include accrued interest receivable.

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

The decrease in accruing restructured loans was primarily due to the payoff of a restructured loan during the second quarter of 2022. As of December 31, 2022, there were no accruing restructured loans.

The increase in accruing loans 90 days or more past due was primarily due to an increase in the number of days past due on two loans fully guaranteed by the United States Department of Agriculture. Our accounting policy requires loans past due 90 days or more to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis, accruing loans 90 days or more past due were eligible to remain in accruing status.

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	0.1%	0.2%	0.1%
Nonaccrual loans	230.4%	214.8%	301.7%
Total risk loans	43.2%	50.5%	55.2%
Net charge-offs as a percentage of average loans	0.0%	0.0%	0.0%
Adverse assets to capital and allowance for loan losses	2.5%	5.5%	6.4%

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 approximately \$160 thousand and the reserve for unfunded commitments decreased by approximately \$90 thousand. 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 \$22.4 million, \$16.7 million, and \$21.1 million at December 31, 2022, 2021, and 2020, respectively. Our investment securities consisted of pools of loans fully guaranteed by the Small Business Administration (SBA).

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	\$ 19,765	\$ 20,156	\$ 18,695
Return on average assets	2.1%	2.3%	2.4%
Return on average members' equity	10.3%	11.2%	11.2%

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			Increase (decrease) in net income	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Net interest income	\$ 25,823	\$ 24,407	\$ 23,152	\$ 1,416	\$ 1,255
Provision for credit losses	(237)	384	277	621	(107)
Non-interest income	5,916	6,633	5,492	(717)	1,141
Non-interest expense	12,040	10,508	9,688	(1,532)	(820)
Provision for (benefit from) income taxes	171	(8)	(16)	(179)	(8)
Net income	\$ 19,765	\$ 20,156	\$ 18,695	\$ (391)	\$ 1,461

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	\$	1,814	\$ 2,079
Changes in interest rates		(426)	(775)
Changes in nonaccrual income and other		28	(49)
Net change	\$	1,416	\$ 1,255

Net interest income included income on nonaccrual loans that totaled \$65 thousand, \$37 thousand, and \$86 thousand in 2022, 2021, and 2020, respectively. Nonaccrual interest income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered.

Net interest margin (net interest income as a percentage of average earning assets) was 3.0%, 3.0%, and 3.1% in 2022, 2021, and 2020, respectively. Our net interest margin is sensitive to interest rate changes and competition.

Provision for Credit Losses

The change in the provision for credit losses was related to our estimate of losses in our portfolio for the applicable years. The decrease was primarily due to a reduction in the general reserves due to the improved credit quality of our portfolio. Additional information is included in Note 3 to the accompanying Consolidated Financial Statements.

Non-Interest Income

The change in non-interest income was primarily due to a decrease in fee income (expense), net and other non-interest income, slightly offset by an increase in patronage.

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	\$ 4,741	\$ 4,725	\$ 3,909
Other patronage	47	39	57
Total patronage income	\$ 4,788	\$ 4,764	\$ 3,966
Form of patronage distributions:			
Cash	\$ 1,790	\$ 4,175	\$ 3,966
Stock	2,998	589	--
Total patronage income	\$ 4,788	\$ 4,764	\$ 3,966

Patronage from AgriBank primarily includes wholesale patronage and pool program patronage. See the Relationship with AgriBank section for further discussion on patronage income.

Fee Income (Expense), Net: The decrease in fee income (expense), net is primarily due to the end of the SBA Paycheck Protection Program, which was partially offset by an increase in administration fees for participating in asset pool programs.

Other Non-Interest Income: During 2021, a gain was recognized on the sale of one of our branch office buildings. No similar transaction occurred during 2022.

Non-Interest Expense

Components of Non-interest Expense

(dollars in thousands)

For the year ended December 31	2022	2021	2020
Salaries and employee benefits	\$ 6,126	\$ 5,621	\$ 5,169
Other operating expense:			
Purchased and vendor services	2,025	1,638	1,495
Communications	103	89	105
Occupancy and equipment	739	672	637
Advertising and promotion	613	583	474
Examination	310	278	265
Farm Credit System insurance	1,347	993	555
Other	688	573	951
Other non-interest expense	89	61	37
Total non-interest expense	\$ 12,040	\$ 10,508	\$ 9,688
Operating rate	1.4%	1.3%	1.3%

The increase in salaries and employee benefits is primarily related to the addition of employees. The increase in purchased and vendor services is primarily related to an increase in the price of purchased services from SunStream and AgriBank.

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.

Provision for (Benefit from) Income Taxes

The change in provision for (benefit from) income taxes was primarily related to prior year actual tax liability and the estimate of 2022 taxes based on taxable income. Patronage distributions to members reduced our tax liability in 2022, 2021, and 2020. Additional disclosure is included in Note 8 to the accompanying Consolidated Financial Statements.

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 \$316.9 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 equity.

Note Payable Information

(dollars in thousands)

For the year ended December 31	2022	2021	2020
Average balance	\$ 723,049	\$ 671,616	\$ 616,369
Average interest rate	2.1%	1.5%	1.8%

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.

We have entered into a Standby Commitment to Purchase Agreement with Farmer Mac, a System institution, to help manage credit risk. If a loan covered by the agreement goes into default, subject to certain conditions, we have the right to sell the loan to Farmer Mac. This agreement remains in place until the loan is paid in full. The guaranteed volume of loans subject to the purchase agreement was \$8.5 million, \$9.0 million, and \$9.6 million at December 31, 2022, 2021, and 2020, respectively. We paid Farmer Mac commitment fees totaling \$40 thousand, \$43 thousand, and \$52 thousand in 2022, 2021, and 2020, respectively. These amounts are included in "Fee Income" in the Consolidated Statements of Comprehensive Income. No loans have been sold to Farmer Mac under this agreement during 2022, 2021, or 2020.

CAPITAL ADEQUACY

Total members' equity was \$195.9 million, \$184.7 million, and \$172.7 million at December 31, 2022, 2021, and 2020, respectively. Total members' equity increased \$11.3 million from December 31, 2021, primarily due to net income partially offset by patronage distribution accruals. Effective January 1, 2023, we adopted the CECL accounting guidance. The adoption of this guidance resulted in a cumulative effect adjustment to equity at January 1, 2023. Refer to Note 2 for additional information regarding the CECL adoption and cumulative effect adjustment to equity.

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

Regulatory Capital Requirements and Ratios

As of December 31	2022	2021	2020	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	18.0%	18.6%	19.5%	4.5%	2.5%	7.0%
Tier 1 capital ratio	18.0%	18.6%	19.5%	6.0%	2.5%	8.5%
Total capital ratio	18.1%	18.8%	19.7%	8.0%	2.5%	10.5%
Permanent capital ratio	18.0%	18.7%	19.6%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	18.2%	18.6%	19.2%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	18.0%	19.4%	19.8%	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 15.5%, as defined in our 2023 capital plan.

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

RELATIONSHIP WITH AGRIBANK

Borrowing

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A General Financing Agreement (GFA), as described in Note 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, cost of liquidity, and bank profit
- A risk premium component, if applicable

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

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

Investment

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

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

Patronage

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

Purchased Services

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

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.

Federal Agricultural Mortgage Corporation: We have entered into a Standby Commitment to Purchase Agreement with Farmer Mac. This agreement allows us to sell loans identified under the agreement to Farmer Mac. Refer to the Funding and Liquidity section for further discussion of this agreement.

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

SunStream Business Services: We have a relationship with SunStream, which involves purchasing financial and retail information technology, collateral, tax reporting, and insurance services. SunStream was a division of AgriBank prior to April 1, 2020, when SunStream formed a separate System service corporation of which we are a partial owner. As of December 31, 2022, 2021, and 2020, our investment in SunStream was \$226 thousand, \$190 thousand, and \$190 thousand, respectively. Additional related party information is included in Note 10 to the accompanying Consolidated Financial Statements. We also guarantee the amounts borrowed by SunStream on their line of credit with AgriBank, up to \$40.0 million. Refer to Note 11 to the accompanying Consolidated Financial Statements for further disclosure.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations), a System service corporation, which involves purchasing human resource, benefit, payroll, and workforce management services. As of December 31, 2022, 2021, and 2020, our investment in Foundations was \$11 thousand. Additional related party information is included in Note 10 to the accompanying Consolidated Financial Statements.

Programs

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 Southeast Missouri, ACA



We prepare the Consolidated Financial Statements of Farm Credit Southeast Missouri, 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.

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

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

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

March 10, 2023

REPORT OF AUDIT COMMITTEE

Farm Credit Southeast Missouri, 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 Southeast Missouri, 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.

/s/ Philip M. Showmaker
Chairperson of the Audit Committee
Farm Credit Southeast Missouri, ACA

Audit Committee Members:

Ed C. Marshall III
Tracy Robison
Markel D. Yarbro

March 10, 2023



Report of Independent Auditors

To the Board of Directors of Farm Credit Southeast Missouri, ACA:

Opinion

We have audited the accompanying consolidated financial statements of Farm Credit Southeast Missouri, 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.



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.

Pricewaterhouse Coopers LLP

Minneapolis, Minnesota
March 10, 2023

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Southeast Missouri, ACA

(in thousands)

As of December 31	2022	2021	2020
ASSETS			
Loans	\$ 872,187	\$ 841,287	\$ 751,512
Allowance for loan losses	1,009	1,265	911
Net loans	871,178	840,022	750,601
Investment in AgriBank, FCB	27,518	22,899	19,392
Investment securities	22,366	16,726	21,111
Accrued interest receivable	18,526	14,659	13,802
Other assets	11,353	11,806	10,030
Total assets	\$ 950,941	\$ 906,112	\$ 814,936
LIABILITIES			
Note payable to AgriBank, FCB	\$ 736,861	\$ 706,978	\$ 628,749
Accrued interest payable	5,212	2,641	2,393
Deferred tax liabilities, net	128	23	55
Patronage distribution payable	8,500	8,250	7,750
Other liabilities	4,323	3,568	3,292
Total liabilities	755,024	721,460	642,239
Contingencies and commitments (Note 11)			
MEMBERS' EQUITY			
Capital stock and participation certificates	1,643	1,670	1,623
Unallocated surplus	194,247	182,982	171,076
Accumulated other comprehensive income (loss)	27	--	(2)
Total members' equity	195,917	184,652	172,697
Total liabilities and members' equity	\$ 950,941	\$ 906,112	\$ 814,936

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Farm Credit Southeast Missouri, ACA

(in thousands)

For the year ended December 31	2022	2021	2020
Interest income	\$ 40,993	\$ 34,368	\$ 34,505
Interest expense	15,170	9,961	11,353
Net interest income	25,823	24,407	23,152
Provision for credit losses	(237)	384	277
Net interest income after provision for credit losses	26,060	24,023	22,875
Non-interest income			
Patronage income	4,788	4,764	3,966
Financially related services income	1,235	1,166	1,184
Fee income (expense), net	(176)	166	159
Other non-interest income	69	537	183
Total non-interest income	5,916	6,633	5,492
Non-interest expense			
Salaries and employee benefits	6,126	5,621	5,169
Other operating expense	5,825	4,826	4,482
Other non-interest expense	89	61	37
Total non-interest expense	12,040	10,508	9,688
Income before income taxes	19,936	20,148	18,679
Provision for (benefit from) income taxes	171	(8)	(16)
Net income	\$ 19,765	\$ 20,156	\$ 18,695
Other comprehensive income (loss)			
Employee benefit plans activity	\$ 27	\$ 2	\$ (2)
Total other comprehensive income (loss)	27	2	(2)
Comprehensive income	\$ 19,792	\$ 20,158	\$ 18,693

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Southeast Missouri, ACA

(in thousands)

	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance as of December 31, 2019	\$ 1,631	\$ 160,112	\$ --	\$ 161,743
Net income	--	18,695	--	18,695
Other comprehensive loss	--	--	(2)	(2)
Unallocated surplus designated for patronage distributions	--	(7,731)	--	(7,731)
Capital stock and participation certificates issued	150	--	--	150
Capital stock and participation certificates retired	(158)	--	--	(158)
Balance as of December 31, 2020	1,623	171,076	(2)	172,697
Net income	--	20,156	--	20,156
Other comprehensive income	--	--	2	2
Unallocated surplus designated for patronage distributions	--	(8,250)	--	(8,250)
Capital stock and participation certificates issued	148	--	--	148
Capital stock and participation certificates retired	(101)	--	--	(101)
Balance as of December 31, 2021	1,670	182,982	--	184,652
Net income	--	19,765	--	19,765
Other comprehensive income	--	--	27	27
Unallocated surplus designated for patronage distributions	--	(8,500)	--	(8,500)
Capital stock and participation certificates issued	113	--	--	113
Capital stock and participation certificates retired	(140)	--	--	(140)
Balance as of December 31, 2022	\$ 1,643	\$ 194,247	\$ 27	\$ 195,917

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Farm Credit Southeast Missouri, ACA

(in thousands)

For the year ended December 31	2022	2021	2020
Cash flows from operating activities			
Net income	\$ 19,765	\$ 20,156	\$ 18,695
Depreciation on premises and equipment	253	257	249
Gain on sale of premises and equipment, net	(5)	(440)	(3)
Net amortization of premiums on loans and investment securities	840	825	929
Provision for credit losses	(237)	384	277
Stock patronage received from AgriBank, FCB	(2,998)	(589)	--
Changes in operating assets and liabilities:			
(Increase) decrease in accrued interest receivable	(4,171)	(1,220)	699
Decrease (increase) in other assets	791	(1,775)	(787)
Increase (decrease) in accrued interest payable	2,571	248	(1,508)
Increase in other liabilities	887	246	762
Net cash provided by operating activities	17,696	18,092	19,313
Cash flows from investing activities			
Increase in loans, net	(31,022)	(89,800)	(81,093)
Purchases of investment in AgriBank, FCB, net	(1,621)	(2,918)	(3,525)
Purchases of investment in other Farm Credit institutions, net	(36)	--	(106)
Purchases of investment securities	(10,658)	--	--
Proceeds from investment securities	4,615	3,988	2,653
(Purchases) sales of premises and equipment, net	(550)	182	(1,466)
Net cash used in investing activities	(39,272)	(88,548)	(83,537)
Cash flows from financing activities			
Increase in note payable to AgriBank, FCB, net	29,883	78,229	71,508
Patronage distributions paid	(8,250)	(7,750)	(7,231)
Capital stock and participation certificates retired, net	(57)	(23)	(53)
Net cash provided by financing activities	21,576	70,456	64,224
Net change in cash	--	--	--
Cash at beginning of year	--	--	--
Cash at end of year	\$ --	\$ --	\$ --
Supplemental information			
Interest paid	\$ 12,599	\$ 9,713	\$ 12,861
Taxes paid, net	68	--	13

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Farm Credit Southeast Missouri, 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 Southeast Missouri, ACA (the Association) and its subsidiaries, Farm Credit Southeast Missouri, FLCA and Farm Credit Southeast Missouri, 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 Bollinger, Butler, Cape Girardeau, Carter, Dunklin, Mississippi, New Madrid, Pemiscot, Ripley, Scott, Stoddard, and Wayne in the State of Missouri.

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

We offer credit life, term life, crop hail, and multi-peril crop insurance to borrowers and those eligible to borrow.

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 Southeast Missouri, 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 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. 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 credit 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.

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. Benefit eligible employees hired between October 1, 2001, and December 31, 2006, are on the cash balance formula. Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. The AgriBank District Retirement Plan utilizes the "Projected Unit Credit" actuarial method for financial reporting and funding purposes.

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 income (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.

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

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

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

Off-Balance Sheet Credit Exposures: Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. The commitments to extend credit generally have fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Any reserve for unfunded lending commitments and unexercised letters of credit is based on management's best estimate of losses inherent in these instruments, but the commitments have not yet disbursed. Factors such as likelihood of disbursement and likelihood of losses given disbursement are utilized in determining a reserve, if needed. Based on our assessment, any reserve is recorded in "Other liabilities" in the Consolidated Statements of Condition and a corresponding loss is recorded in "Provision for credit losses" in the Consolidated Statements of Comprehensive Income.

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
<p>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.</p> <p>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.</p>	<p>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.</p>	<p>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.</p>
<p>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.</p>	<p>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.</p>	<p>We adopted the standard as of January 1, 2023. As a result of adoption of this guidance, the allowance for loan losses decreased by approximately \$160 thousand and the reserve for unfunded commitments decreased by approximately \$90 thousand, with a cumulative-effect increase, net of tax balances, to retained earnings of approximately \$90 thousand.</p> <p>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 or an implicit credit guarantee from its agencies and have an immaterial risk of credit loss. No allowance for credit losses was recognized in relation to our investment portfolio upon adoption.</p>
<p>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.</p>	<p>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.</p>	<p>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.</p>

NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES
Loans by Type

(dollars in thousands)

As of December 31	2022		2021		2020	
	Amount	%	Amount	%	Amount	%
Real estate mortgage	\$ 529,053	60.7%	\$ 509,258	60.5%	\$ 438,486	58.3%
Production and intermediate-term	287,729	33.0%	278,027	33.0%	260,980	34.7%
Agribusiness	22,044	2.5%	18,698	2.2%	14,328	1.9%
Other	33,361	3.8%	35,304	4.3%	37,718	5.1%
Total	\$ 872,187	100.0%	\$ 841,287	100.0%	\$ 751,512	100.0%

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

Portfolio Concentrations

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

As of December 31, 2022, volume plus commitments, excluding government guaranteed portions of loans, to our ten largest borrowers totaled an amount equal to 11.0% of total loans and commitments.

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

Participations

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

Participations Purchased and Sold

(in thousands)	AgriBank		Other Farm		Non-Farm		Total	
	Participations		Credit Institutions		Credit Institutions		Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
As of December 31, 2022								
Real estate mortgage	\$ --	\$ (44,089)	\$ 38,523	\$ (5,186)	\$ 452	\$ --	\$ 38,975	\$ (49,275)
Production and intermediate-term	--	--	4,766	(3,489)	--	--	4,766	(3,489)
Agribusiness	--	--	6,130	(5,301)	--	--	6,130	(5,301)
Other	--	--	4,385	(48)	--	--	4,385	(48)
Total	\$ --	\$ (44,089)	\$ 53,804	\$ (14,024)	\$ 452	\$ --	\$ 54,256	\$ (58,113)
As of December 31, 2021								
Real estate mortgage	\$ --	\$ (36,974)	\$ 29,467	\$ (5,311)	\$ 498	\$ --	\$ 29,965	\$ (42,285)
Production and intermediate-term	--	--	4,922	(2,706)	--	--	4,922	(2,706)
Agribusiness	--	--	6,594	--	--	--	6,594	--
Other	--	--	--	(53)	--	--	--	(53)
Total	\$ --	\$ (36,974)	\$ 40,983	\$ (8,070)	\$ 498	\$ --	\$ 41,481	\$ (45,044)

As of December 31, 2020	AgriBank		Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations		Participations		Participations		Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	\$ --	\$ (20,877)	\$ 3,909	\$ (4,929)	\$ 897	\$ --	\$ 4,806	\$ (25,806)
Production and intermediate-term	--	--	3,106	(1,526)	--	--	3,106	(1,526)
Agribusiness	--	--	9,216	--	--	--	9,216	--
Other	--	--	--	(58)	--	--	--	(58)
Total	\$ --	\$ (20,877)	\$ 16,231	\$ (6,513)	\$ 897	\$ --	\$ 17,128	\$ (27,390)

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	
	Amount	%	Amount	%	Amount	%	Amount	%
As of December 31, 2022								
Real estate mortgage	\$ 526,902	97.6%	\$ 8,316	1.6%	\$ 4,466	0.8%	\$ 539,684	100.0%
Production and intermediate-term	286,874	97.3%	7,656	2.6%	367	0.1%	294,897	100.0%
Agribusiness	22,304	100.0%	--	--	--	--	22,304	100.0%
Other	33,448	99.6%	142	0.4%	--	--	33,590	100.0%
Total	\$ 869,528	97.6%	\$ 16,114	1.9%	\$ 4,833	0.5%	\$ 890,475	100.0%
As of December 31, 2021								
Real estate mortgage	\$ 505,092	97.4%	\$ 6,404	1.2%	\$ 7,235	1.4%	\$ 518,731	100.0%
Production and intermediate-term	275,302	97.4%	4,340	1.5%	3,080	1.1%	282,722	100.0%
Agribusiness	18,789	100.0%	--	--	--	--	18,789	100.0%
Other	35,376	99.4%	228	0.6%	--	--	35,604	100.0%
Total	\$ 834,559	97.5%	\$ 10,972	1.3%	\$ 10,315	1.2%	\$ 855,846	100.0%
As of December 31, 2020								
Real estate mortgage	\$ 428,554	96.0%	\$ 10,400	2.3%	\$ 7,522	1.7%	\$ 446,476	100.0%
Production and intermediate-term	253,725	95.4%	8,825	3.3%	3,556	1.3%	266,106	100.0%
Agribusiness	14,375	100.0%	--	--	--	--	14,375	100.0%
Other	37,710	98.6%	526	1.4%	--	--	38,236	100.0%
Total	\$ 734,364	96.0%	\$ 19,751	2.6%	\$ 11,078	1.4%	\$ 765,193	100.0%

Note: Accruing loans include accrued interest receivable.

Aging Analysis of Loans

(in thousands)	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
As of December 31, 2022						
Real estate mortgage	\$ 24	\$ --	\$ 24	\$ 539,660	\$ 539,684	\$ --
Production and intermediate-term	--	164	164	294,733	294,897	--
Agribusiness	--	--	--	22,304	22,304	--
Other	388	1,899	2,287	31,303	33,590	1,899
Total	\$ 412	\$ 2,063	\$ 2,475	\$ 888,000	\$ 890,475	\$ 1,899

(in thousands)	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
As of December 31, 2021						
Real estate mortgage	\$ 420	\$ --	\$ 420	\$ 518,311	\$ 518,731	\$ --
Production and intermediate-term	37	293	330	282,392	282,722	--
Agribusiness	--	--	--	18,789	18,789	--
Other	4,700	1,651	6,351	29,253	35,604	1,651
Total	\$ 5,157	\$ 1,944	\$ 7,101	\$ 848,745	\$ 855,846	\$ 1,651

(in thousands)	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
As of December 31, 2020						
Real estate mortgage	\$ 370	\$ 248	\$ 618	\$ 445,858	\$ 446,476	\$ --
Production and intermediate-term	18	--	18	266,088	266,106	--
Agribusiness	--	--	--	14,375	14,375	--
Other	2,163	1,066	3,229	35,007	38,236	1,066
Total	\$ 2,551	\$ 1,314	\$ 3,865	\$ 761,328	\$ 765,193	\$ 1,066

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)	2022	2021	2020
As of December 31			
Nonaccrual loans:			
Current as to principal and interest	\$ 250	\$ 260	\$ 54
Past due	188	329	248
Total nonaccrual loans	438	589	302
Accruing restructured loans	--	266	281
Accruing loans 90 days or more past due	1,899	1,651	1,066
Total risk loans	\$ 2,337	\$ 2,506	\$ 1,649
Volume with specific allowance	\$ 367	\$ 500	\$ --
Volume without specific allowance	1,970	2,006	1,649
Total risk loans	\$ 2,337	\$ 2,506	\$ 1,649
Total specific allowance	\$ 348	\$ 379	\$ --
For the year ended December 31			
Income on accrual risk loans	\$ 49	\$ 84	\$ 85
Income on nonaccrual loans	65	37	86
Total income on risk loans	\$ 114	\$ 121	\$ 171
Average risk loans	\$ 1,368	\$ 2,098	\$ 2,372

Note: Accruing loans include accrued interest receivable.

Nonaccrual Loans by Loan Type

(in thousands)

As of December 31	2022	2021	2020
Real estate mortgage	\$ 71	\$ 89	\$ 302
Production and intermediate-term	367	500	--
Total	\$ 438	\$ 589	\$ 302

Additional Impaired Loan Information by Loan Type

(in thousands)	As of December 31, 2022			For the year ended December 31, 2022	
	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	\$ --	\$ --	\$ --	\$ --	\$ --
Production and intermediate-term	367	367	348	438	--
Other	--	--	--	--	--
Total	\$ 367	\$ 367	\$ 348	\$ 438	\$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	\$ 71	\$ 139	\$ --	\$ 192	\$ 30
Production and intermediate-term	--	95	--	9	41
Other	1,899	1,825	--	729	43
Total	\$ 1,970	\$ 2,059	\$ --	\$ 930	\$ 114
Total impaired loans:					
Real estate mortgage	\$ 71	\$ 139	\$ --	\$ 192	\$ 30
Production and intermediate-term	367	462	348	447	41
Other	1,899	1,825	--	729	43
Total	\$ 2,337	\$ 2,426	\$ 348	\$ 1,368	\$ 114
As of December 31, 2021					
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	\$ --	\$ --	\$ --	\$ --	\$ --
Production and intermediate-term	500	501	379	150	--
Other	--	--	--	--	--
Total	\$ 500	\$ 501	\$ 379	\$ 150	\$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	\$ 356	\$ 464	\$ --	\$ 383	\$ 40
Production and intermediate-term	--	586	--	38	11
Other	1,650	1,574	--	1,527	70
Total	\$ 2,006	\$ 2,624	\$ --	\$ 1,948	\$ 121
Total impaired loans:					
Real estate mortgage	\$ 356	\$ 464	\$ --	\$ 383	\$ 40
Production and intermediate-term	500	1,087	379	188	11
Other	1,650	1,574	--	1,527	70
Total	\$ 2,506	\$ 3,125	\$ 379	\$ 2,098	\$ 121

	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	\$ --	\$ --	\$ --	\$ 88	\$ --
Production and intermediate-term	--	--	--	--	--
Other	--	--	--	--	--
Total	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 88</u>	<u>\$ --</u>
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	\$ 583	\$ 704	\$ --	\$ 585	\$ 53
Production and intermediate-term	--	587	--	299	48
Other	1,066	959	--	1,400	70
Total	<u>\$ 1,649</u>	<u>\$ 2,250</u>	<u>\$ --</u>	<u>\$ 2,284</u>	<u>\$ 171</u>
Total impaired loans:					
Real estate mortgage	\$ 583	\$ 704	\$ --	\$ 673	\$ 53
Production and intermediate-term	--	587	--	299	48
Other	1,066	959	--	1,400	70
Total	<u>\$ 1,649</u>	<u>\$ 2,250</u>	<u>\$ --</u>	<u>\$ 2,372</u>	<u>\$ 171</u>

¹The 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.

²Unpaid 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.

We completed TDRs of certain production and intermediate-term loans during the year ended December 31, 2022. Our recorded investment in these loans just prior to and immediately following the restructuring was \$205 thousand during the year ended December 31, 2022. 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. There were no TDRs that occurred during the years ended December 31, 2021, or 2020.

The primary type of modification was interest rate reduction below market.

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	\$ --	\$ 266	\$ 281
Production and intermediate-term	--	--	--
Total TDRs in accrual status	<u>\$ --</u>	<u>\$ 266</u>	<u>\$ 281</u>
Nonaccrual status:			
Real estate mortgage	\$ --	\$ --	\$ --
Production and intermediate-term	202	--	--
Total TDRs in nonaccrual status	<u>\$ 202</u>	<u>\$ --</u>	<u>\$ --</u>
Total TDRs:			
Real estate mortgage	\$ --	\$ 266	\$ 281
Production and intermediate-term	202	--	--
Total TDRs	<u>\$ 202</u>	<u>\$ 266</u>	<u>\$ 281</u>

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	\$ 1,265	\$ 911	\$ 668
Provision for loan losses	(237)	354	277
Loan recoveries	2	4	6
Loan charge-offs	(21)	(4)	(40)
Balance at end of year	<u>\$ 1,009</u>	<u>\$ 1,265</u>	<u>\$ 911</u>

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

Credit Loss Information on Unfunded Commitments

(in thousands)			
For the year ended December 31	2022	2021	2020
Provision for credit losses	\$ --	\$ 30	\$ --
As of December 31			
Reserve for unfunded commitments	\$ 120	\$ 120	\$ 90

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	\$ 309	\$ 913	\$ 42	\$ 1	\$ 1,265
Provision for loan losses	(104)	(135)	1	1	(237)
Loan recoveries	2	--	--	--	2
Loan charge-offs	--	(21)	--	--	(21)
Balance as of December 31, 2022	\$ 207	\$ 757	\$ 43	\$ 2	\$ 1,009
Ending balance: individually evaluated for impairment	\$ --	\$ 348	\$ --	\$ --	\$ 348
Ending balance: collectively evaluated for impairment	\$ 207	\$ 409	\$ 43	\$ 2	\$ 661
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2022	\$ 539,684	\$ 294,897	\$ 22,304	\$ 33,590	\$ 890,475
Ending balance: individually evaluated for impairment	\$ 71	\$ 367	\$ --	\$ 1,899	\$ 2,337
Ending balance: collectively evaluated for impairment	\$ 539,613	\$ 294,530	\$ 22,304	\$ 31,691	\$ 888,138

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2020	\$ 295	\$ 563	\$ 51	\$ 2	\$ 911
Provision for loan losses	10	354	(9)	(1)	354
Loan recoveries	4	--	--	--	4
Loan charge-offs	--	(4)	--	--	(4)
Balance as of December 31, 2021	\$ 309	\$ 913	\$ 42	\$ 1	\$ 1,265
Ending balance: individually evaluated for impairment	\$ --	\$ 379	\$ --	\$ --	\$ 379
Ending balance: collectively evaluated for impairment	\$ 309	\$ 534	\$ 42	\$ 1	\$ 886
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2021	\$ 518,731	\$ 282,722	\$ 18,789	\$ 35,604	\$ 855,846
Ending balance: individually evaluated for impairment	\$ 356	\$ 500	\$ --	\$ 1,650	\$ 2,506
Ending balance: collectively evaluated for impairment	\$ 518,375	\$ 282,222	\$ 18,789	\$ 33,954	\$ 853,340

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2019	\$ 214	\$ 431	\$ 21	\$ 2	\$ 668
Provision for loan losses	115	132	30	--	277
Loan recoveries	6	--	--	--	6
Loan charge-offs	(40)	--	--	--	(40)
Balance as of December 31, 2020	\$ 295	\$ 563	\$ 51	\$ 2	\$ 911
Ending balance: individually evaluated for impairment	\$ --	\$ --	\$ --	\$ --	\$ --
Ending balance: collectively evaluated for impairment	\$ 295	\$ 563	\$ 51	\$ 2	\$ 911
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2020	\$ 446,476	\$ 266,106	\$ 14,375	\$ 38,236	\$ 765,193
Ending balance: individually evaluated for impairment	\$ 583	\$ --	\$ --	\$ 1,066	\$ 1,649
Ending balance: collectively evaluated for impairment	\$ 445,893	\$ 266,106	\$ 14,375	\$ 37,170	\$ 763,544

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

NOTE 4: INVESTMENT IN AGRIBANK

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

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

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

NOTE 5: INVESTMENT SECURITIES

We held investment securities of \$22.4 million, \$16.7 million, and \$21.1 million at December 31, 2022, 2021, and 2020, respectively. Our investment securities consisted of securities containing loans guaranteed by the Small Business Administration (SBA). 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.

Additional Investment Securities Information

(dollars in thousands)

As of December 31	2022	2021	2020
Amortized cost	\$ 22,366	\$ 16,726	\$ 21,111
Unrealized gains	98	144	156
Unrealized losses	(203)	(103)	(64)
Fair value	\$ 22,261	\$ 16,767	\$ 21,203
Weighted average yield	2.7%	1.2%	1.5%

Investment income is recorded in "Interest income" in the Consolidated Statements of Comprehensive Income and totaled \$417 thousand, \$228 thousand, and \$345 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	\$ 7,255
More than ten years	15,111
Total	\$ 22,366

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	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
As of December 31, 2022				
ABS	\$ 8,053	\$ (72)	\$ 3,867	\$ (131)
Total	\$ 8,053	\$ (72)	\$ 3,867	\$ (131)
As of December 31, 2021				
ABS	\$ 3,799	\$ (29)	\$ 2,669	\$ (74)
Total	\$ 3,799	\$ (29)	\$ 2,669	\$ (74)
As of December 31, 2020				
ABS	\$ 2,464	\$ (16)	\$ 4,517	\$ (48)
Total	\$ 2,464	\$ (16)	\$ 4,517	\$ (48)

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	\$ 1,060,000	\$ 850,000	\$ 850,000
Outstanding principal under the line of credit	736,861	706,978	628,749
Interest rate	2.8%	1.5%	1.4%

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

The 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 one participation certificate is required of all non-stockholder customers who purchase financial services. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan is made. The aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

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	18.0%	18.6%	19.5%	4.5%	2.5%	7.0%
Tier 1 capital ratio	18.0%	18.6%	19.5%	6.0%	2.5%	8.5%
Total capital ratio	18.1%	18.8%	19.7%	8.0%	2.5%	10.5%
Permanent capital ratio	18.0%	18.7%	19.6%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	18.2%	18.6%	19.2%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	18.0%	19.4%	19.8%	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.

As of December 31	Number of Shares		
	2022	2021	2020
Class B common stock (at-risk)	--	200	200
Class C common stock (at-risk)	325,672	330,634	321,220
Series 2 participation certificates (at-risk)	2,980	3,180	3,180

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

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

Our bylaws generally permit stock and participation certificates to be retired at the discretion of our Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. 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 assets remaining after payment or retirement of all liabilities shall be distributed first, pro rata to holders of preferred stock, and second, pro rata to holders of all classes of common stock and participation certificates.

In the event of stock impairment, losses will be absorbed first by concurrent impairment of all classes of common stock and participation certificates, then by holders of preferred stock.

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 \$8.5 million, \$8.3 million, and \$7.8 million at December 31, 2022, 2021, and 2020, respectively. Generally, the patronage distributions are paid in cash during the first quarter after year end. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

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

NOTE 8: INCOME TAXES**Provision for (Benefit from) Income Taxes****Provision for (Benefit from) Income Taxes**

(dollars in thousands)

For the year ended December 31	2022	2021	2020
Current:			
Federal	\$ 66	\$ 24	\$ 1
Total current	\$ 66	\$ 24	\$ 1
Deferred:			
Federal	\$ 105	\$ (32)	\$ (17)
Total deferred	105	(32)	(17)
Provision for (benefit from) income taxes	\$ 171	\$ (8)	\$ (16)
Effective tax rate	0.9%	(0.0%)	(0.1%)

Reconciliation of Taxes at Federal Statutory Rate to Provision for (Benefit from) Income Taxes

(in thousands)

For the year ended December 31	2022	2021	2020
Federal tax at statutory rates	\$ 4,187	\$ 4,231	\$ 3,923
Patronage distributions	(1,139)	(1,308)	(1,401)
Effect of non-taxable entity	(2,938)	(2,955)	(2,539)
Other	61	24	1
Provision for (benefit from) income taxes	\$ 171	\$ (8)	\$ (16)

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	\$ 189	\$ 232	\$ 152
Postretirement benefit accrual	54	58	62
Accrued incentive	130	125	96
Accrued pension asset	(509)	(443)	(367)
Depreciation	2	1	--
Other assets	6	4	2
Deferred tax liabilities, net	\$ (128)	\$ (23)	\$ (55)
Gross deferred tax assets	\$ 381	\$ 420	\$ 312
Gross deferred tax liabilities	\$ (509)	\$ (443)	\$ (367)

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

We have not provided for deferred income taxes on patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. Our total permanent investment in AgriBank is \$10.0 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of \$139.5 million 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	304	361	596
Contributions by participating employers	90,385	90,000	90,000
Our allocated share of contributions	1,002	1,142	1,190

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 \$526 thousand. 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	\$ 241	\$ 299	\$ 334
For the year ended December 31	2022	2021	2020
Our cash contributions	\$ 36	\$ 36	--

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%.

Employer contribution expenses for the defined contribution plan, included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income, were \$319 thousand, \$316 thousand, and \$271 thousand 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	\$ 12,971	\$ 11,750	\$ 11,227
For the year ended December 31	2022	2021	2020
Advances to related parties	\$ 8,945	\$ 9,515	\$ 9,844
Repayments by related parties	7,812	8,842	8,864

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

As described in Note 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 was \$4.7 million, \$4.7 million, and \$3.9 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 \$37 thousand, \$38 thousand, and \$29 thousand in 2022, 2021, and 2020, respectively.

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

As of December 31, 2022, we purchased certain business services from AgriBank. Until the formation of SunStream Business Services (SunStream) on April 1, 2020, we also purchased financial and retail information technology, collateral, tax reporting, and insurance services from AgriBank. These services are

now purchased from SunStream. We also purchase human resource, benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). SunStream and Foundations are both System service corporations within the AgriBank District and the costs incurred are included in the table below in AgriBank District purchased services. In addition to the services we purchase from AgriBank, SunStream, and Foundations we also hold an investment in each of these institutions.

Additional Related Party Information

(in thousands)

As of December 31	2022	2021	2020
Investment in AgriBank	\$ 27,518	\$ 22,899	\$ 19,392
Investment in SunStream	226	190	190
Investment in Foundations	11	11	11
For the year ended December 31	2022	2021	2020
AgriBank District purchased services	\$ 1,184	\$ 899	\$ 769

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 \$215.9 million. Additionally, we had \$2 thousand of issued standby letters of credit as of December 31, 2022.

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

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

NOTE 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			Total Fair Value
	Level 1	Level 2	Level 3	
Impaired loans	\$ --	\$ --	\$ 20	\$ 20

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

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

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

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

Farm Credit Southeast Missouri, 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
Sikeston	Owned	Headquarters
Sikeston	Owned	Branch
Mississippi County	Owned	Branch
Dexter	Owned	Branch
Jackson	Owned	Branch
Kennett	Owned	Branch
Piedmont	Leased	Satellite Office
Portageville	Owned	Branch
Poplar Bluff	Owned	Branch

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

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

Name	Principal occupation and other business affiliations
Markel D. Yarbro Chairperson Board Service Began: 1998 Current Term Expires: 2025	Principal occupation: Self-employed grain farmer
James Priggel Vice Chairperson Board Service Began: 2010 Current Term Expires: 2025	Principal occupation: Self-employed grain and cotton farmer
Michael Aufdenberg Board Service Began: 2012 Current Term Expires: 2024	Principal occupation: Self-employed grain and livestock farmer
Ed C. Marshall III Board Service Began: 2005 Current Term Expires: 2023	Principal Occupation: Self-employed grain farmer and land owner Other business affiliations: President: Levee District #3, a special levee maintenance taxing entity located in Mississippi county, Missouri
Darrell Nichols Board Service Began: 1996 Current Term Expires: 2023	Principal Occupation: Self-employed grain and rice farmer
John Robinson Board Service Began: 1998 Current Term Expires: 2023	Principal Occupation: Self-employed grain and cotton farmer Other business affiliations: Board Member/Treasurer: Drainage District Ditch #37, a special drainage ditch taxing entity located in Dexter, Missouri
Tracy Robison Outside Director Board Service Began: 2019 Current Term Expires: 2024	Principal Occupation: Owner of Robison Associates, LLC, a kitchen and bath design consulting company Other business affiliations: Board Member: Bloomfield Improvement Corporation, supports the creation of jobs in the city of Bloomfield, Missouri
Philip M. Showmaker Outside Director Audit Committee Chairperson Board Service Began: 2011 Current Term Expires: 2025	Principal Occupation: Partner of Clay, Showmaker & Clay, LLP, a CPA firm located in Sikeston, Missouri Other business affiliations: Board Member: AgriBank District Farm Credit Council, a trade association representing AgriBank District
Marty Vancil Board Service Began: 2012 Current Term Expires: 2024	Principal Occupation: Self-employed grain and cotton farmer

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 \$500 per day and a rate of \$175 per conference call. In addition, the Chairperson receives a \$500 monthly stipend and the Audit Committee Chairperson receives a \$1,000 monthly stipend.

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

Name	Number of Days Served		Compensation Paid for Service on a Board Committee	Name of Committee	Total Compensation Paid in 2022
	Board Meetings	Other Official Activities			
Michael Aufdenberg	10	9	\$ --		\$ 10,100
Ed C. Marshall III	10	21	2,175	Audit Committee	16,825
Darrell Nichols	9	2	--		6,100
James Priggel	10	6	--		8,275
John Robinson	9	1	--		5,700
Tracy Robison	10	18	2,175	Audit Committee	14,275
Philip M. Showmaker, Audit Committee Chairperson	9	18	14,525	Audit Committee	24,800
Marty Vancil	10	2	--		6,700
Markel D. Yarbro, Board Chairperson	10	7	1,675	Audit Committee	14,450
					\$ 107,225

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
Gregory M. Cunningham President / Chief Executive Officer	Business experience: President/Chief Executive Officer since August 2020 President/Chief Executive Officer: Farm Credit of Florida from November 2012 to September 2019
Michelle M. Beacham Executive Vice President / Chief Financial Officer	Business experience: Executive Vice President/Chief Financial Officer since October 2019 Senior Vice President/Finance from November 2018 to September 2019 Chief Financial Officer: North Metro Medical Center from June 2018 to November 2018 Chief Financial Officer: Twin Rivers Regional Medical Center from May 2011 to May 2018
Chad E. Crow Executive Vice President / Chief Credit Officer	Business experience: Executive Vice President/Chief Credit Officer since February 2022 Executive Vice President/Chief Business Officer from February 2020 - February 2022 Senior Vice President/Senior Relationship Officer from January 2017 to February 2020

Information related to compensation paid to senior officers is provided in our Annual Meeting Information Statement (AMIS). The AMIS is available for public inspection at our office.

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:

1116 N. Main Street
Sikeston, MO 63801
(573) 471-0342
www.FarmCreditSEMO.com
info@FarmCreditSEMO.com

The total directors' travel, subsistence, and other related expenses were \$23 thousand, \$14 thousand, and \$13 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 \$91 thousand. Our engagement letter commits to reimbursing the external auditor for reasonable out-of-pocket expenses as incurred for travel. We also incurred \$13 thousand for work related to our implementation of new accounting guidance, which was pre-approved by the Audit Committee.

Financial Statements

The Report of Management, Report 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 Southeast Missouri, ACA

(Unaudited)

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

- Young: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.
- Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan transaction date.
 - A loan to a “young” or “beginning” borrower qualifies if the young or beginning borrower is obligated on the note or is an owner of the closely held entity financed. A loan to a publicly held entity or other entity that is not closely held does not qualify.
- Small: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than \$250 thousand in annual gross sales of agricultural or aquatic products.

Demographics

Based on the United States Department of Agriculture (USDA) 2017 Census of Agriculture, 10.2% of the farmers in our 12-county territory are young farmers (up to age 34); 25.1% of the farmers in the territory are beginning farmers (up to 9 years 'on the present farm'); and 80.2% of the farms are small farms (\$1,000 to \$249,000 gross farm income).

The USDA Census definitions are in parentheses above. Please note that the USDA Census definitions do not exactly match the accepted YBS definitions widely used in the Farm Credit System as listed in the previous section and therefore the Census percentages are not necessarily comparable to our Association's percentages.

Mission Statement YBS

Young, beginning, and small farmers, ranchers and producers or harvesters of aquatic products are valued customers of our Association. It is our mission to provide sound and constructive credit and services to young, beginning, and small farmers, ranchers and producers or harvesters of aquatic products to the maximum extent possible consistent with safe and sound business practices and within our risk-bearing capacity.

We have protected the name AgSunrise which is the program we have established to serve the young and beginning farmers and ranchers in the Farm Credit Southeast Missouri territory.

We have and continue to network with other Farm Credit System associations to share information about what programs have worked in their areas.

We attended a nationwide workshop that brought together several association representatives to discuss options and ways we can continue to promote our YBS programs and maintain the credit standards recommended by AgriBank as well as FCA.

Mission Statement AgSunrise

Farm Credit Southeast Missouri will be the premier financial provider of financing for young and beginning farmers and ranchers. AgSunrise by Farm Credit Southeast Missouri will provide flexible financing opportunities and education for young and beginning farmers and ranchers, equipping the next generation with the foundational tools for long-term success.

Farm Credit Southeast Missouri will focus on our AgSunrise program to ensure that young and beginning farmers and ranchers are being served throughout the territory, including all under-served markets and all commodity groups, in order to increase our market presence by number and volume.

Quantitative Goals for 2023

The target goals for the year ending December 31, 2023, will remain the same as the years ended December 31, 2022, 2021, and 2020. Below are the 2023 targets for our young, beginning, and small farmers and ranchers program:

2023 Goals	
15% by Number	Young Farmers (all existing)
15% by Number	Young Farmers (new loans in 2023)
10% by Volume	Young Farmers (all existing)
10% by Volume	Young Farmers (new loans in 2023)
15% by Number	Beginning Farmers (all existing)
15% by Number	Beginning Farmers (new loans in 2023)
10% by Volume	Beginning Farmers (all existing)
10% by Volume	Beginning Farmers (new loans in 2023)
15% by Number	Small Farmers (all existing)
15% by Number	Small Farmers (new loans in 2023)
10% by Volume	Small Farmers (all existing)
10% by Volume	Small Farmers (new loans in 2023)

Quantitative Goals and Results for 2022

Below are the 2022 goals and actual results for our young, beginning, and small farmers and ranchers program:

2022 Goals	2022 Actual results
15% by Number	23.2% Young Farmers (all existing)
15% by Number	25.7% Young Farmers (new loans in 2022)
10% by Volume	16.7% Young Farmers (all existing)
10% by Volume	18.2% Young Farmers (new loans in 2022)
15% by Number	24.1% Beginning Farmers (all existing)
15% by Number	27.6% Beginning Farmers (new loans in 2022)
10% by Volume	16.9% Beginning Farmers (all existing)
10% by Volume	19.5% Beginning Farmers (new loans in 2022)
15% by Number	37.5% Small Farmers (all existing)
15% by Number	35.7% Small Farmers (new loans in 2022)
10% by Volume	13.5% Small Farmers (all existing)
10% by Volume	8.8% Small Farmers (new loans in 2022)

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 young and beginning farmers and ranchers:

Young and Beginning Farmers and Ranchers - Gross New Business During the Year

Category	Number of Loans	Percentage of Total	Volume	
			Outstanding (in thousands)	Percentage of Total
Total gross new loans and commitments made during the year	1,129	100.0%	\$ 422,316	100.0%
Total loans and commitments made to young farmers and ranchers	290	25.7%	76,979	18.2%
Total loans and commitments made to beginning farmers and ranchers	312	27.6%	82,512	19.5%

Young and Beginning Farmers and Ranchers - Number/Volume of Loans Outstanding at December 31, 2022

Category	Number of Loans	Percentage of Total	Volume	
			Outstanding (in thousands)	Percentage of Total
Total loans and commitments outstanding at year end	3,995	100.0%	\$ 1,116,000	100.0%
Young farmers and ranchers	928	23.2%	186,595	16.7%
Beginning farmers and ranchers	962	24.1%	188,557	16.9%

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:

Small Farmers and Ranchers - Gross New Business by Loan Size

(dollars in thousands)

Number/Volume	\$0-\$50,000	\$50,001-\$100,000	\$100,001-\$250,000	\$250,001 and greater
Total number of new loans and commitments made during the year	317	185	208	419
Total number of loans made to small farmers and ranchers during the year	237	77	60	29
Number of loans made to small farmers and ranchers as a percentage of total number of loans	74.8%	41.6%	28.8%	6.9%
Total gross loan volume of all new loans and commitments made during the year	\$ 7,914	\$ 14,400	\$ 35,600	\$ 364,402
Total gross loan volume to small farmers and ranchers	5,403	5,937	9,752	16,222
Loan volume to small farmers and ranchers as a percentage of total gross new loan volume	68.3%	41.2%	27.4%	4.5%

Small Farmers and Ranchers - Number/Volume of Loans Outstanding by Loan Size

(dollars in thousands)

Number/Volume	\$0-\$50,000	\$50,001-\$100,000	\$100,001-\$250,000	\$250,001 and greater
Total number of loans and commitments outstanding at year end	1,358	668	884	1,085
Total number of loans to small farmers and ranchers	816	255	301	127
Number of loans made to small farmers and ranchers as a percentage of total loan volume	60.1%	38.2%	34.0%	11.7%
Total loan volume outstanding at year end	\$ 31,000	\$ 48,984	\$ 142,604	\$ 893,412
Total loan volume to small farmers and ranchers	16,490	18,329	47,738	67,843
Loan volume to small farmers and ranchers as a percentage of total loan volume	53.2%	37.4%	33.5%	7.6%

Qualitative Goals and Outreach Programs

We set the following qualitative goals for 2022:

- Offer credit and related services in coordination with Farm Service Agency (FSA) and State programs.
- Offer differential loan underwriting standards.
- Make use of loan guarantees, subordinations & co-signers.
- Offer business and financial skills training.
- Offer insurance products.
- Promote use of Missouri Linked Deposit Program funding with lower customer interest rates.
- Continue to promote our initiative, called AgSunrise, a subset of YBS, but with special focus on young and beginning farmers and ranchers.
- Promote AgSunrise through various marketing channels.

To accomplish our goals for the young, beginning, and small farmers and ranchers program, these are actions we have taken in the past and ongoing:

- Sponsored meetings to educate YBS farmers and ranchers on crop marketing techniques including futures and options.
- Sponsored meetings to educate YBS farmers and ranchers on crop insurance services.
- Sponsored meetings tailored to educate YBS farmers and ranchers on how to join marketing techniques with crop insurance services.
- Offered crop protection insurance and life insurance to YBS farmers and ranchers and discussed the benefits with them individually, in meetings and via radio advertising.
- Met with YBS farmers and ranchers to show them the support that could be made by using FSA 90/10 guarantees and 50/45/5 programs.
- Shared Farm Financial Checkup results with borrowers.
- Met with FSA to obtain information to provide to young farmers and ranchers on programs that would benefit them, including guarantee and subordination programs.
- Counseled YBS farmers and ranchers in the office on good financial practices.
- Ran ads on radio and TV stations pertaining to YBS programs.
- Attended semi-annual meetings on the Three Rivers Junior College Ag Committee to discuss educational needs of Ag students.
- Offered a streamlined scorecard approval service for small farmers and ranchers to significantly reduce paperwork.
- Encouraged YBS farmers and ranchers to use marketing consultants, scouting services and financial guidance counselors.
- Encouraged YBS farmers and ranchers to keep adequate financial records and for their accountant to prepare full disclosure year end financial statements including a Statement of Cash Flows to better analyze and manage their finances.
- Became a member of Kennett Chamber of Commerce Agriculture committee.
- Met with FSA officials to identify YBS farmers and ranchers that may be able to graduate from FSA and qualify for Farm Credit Southeast Missouri loans.
- Made FSA guaranteed loans to YBS farmers and ranchers.

- Made FSA subordinated loans to YBS farmers and ranchers.
- Invited and recognized Future Farmers of America (FFA) sponsor and officers at annual dinner.
- Supported and built relationships with FFA program directors.
- Built relationship with FSA.
- Adapted credit presentation model to address YBS farmers and ranchers.
- Provided interest rate discounts, fee waivers, and financial support for YBS farmers and ranchers.
- Provided financial support for educational programs for YBS farmers and ranchers.
- Used social media to communicate Farm Credit programs and opportunities.
- Increasing our numbers of program participants.
- Continue to educate our existing customer base and trade area prospects of this opportunity.

PARTICIPATED IN VARIOUS SPONSORSHIPS:

- Missouri Rice Research Field Day
- Missouri Delta Center Field Day
- Missouri Farm Bureau Foundation for YBS farmers
- Farmers Recognition Banquet for the Charleston & Kelly High School Districts
- Provided meals for Southeast Missouri District Ag Teachers meeting
- Missouri Farm Bureau Foundation golf tournament
- Several high school athletic teams and events
- Southeast Missouri District fair 4H & FFA livestock show
- Local FFA Chapters for awards
- Hurley Women's Ag Tour
- University of Missouri corn production meeting
- Stoddard County 4H livestock auction
- Butler County 4H auction
- Missouri Young Farmer/Young Farmer Wives Tour
- Farmers Recognition Banquet at Sikeston
- Farmers Recognition Luncheon at Poplar Bluff
- Multi County Women's Health Fair
- Southeast Missouri Ag Department Ag Honors Banquet Sponsor

PARTICIPATED IN VARIOUS FFA SPONSORSHIPS:

- Oran FFA – Mum Project
- New Madrid County FFA
- Sikeston FFA – Advisor Shirts
- Sikeston FFA – Cotton Carnival Parade Sponsor
- Campbell FFA
- Bloomfield FFA
- Bernie FFA
- Advance FFA
- Puxico FFA
- Dexter FFA
- Richland FFA
- Clearwater FFA
- Delta FFA
- Meadow Heights FFA
- Woodland FFA
- Jackson FFA
- Saxony Lutheran FFA
- Oak Ridge FFA
- Holcomb FFA
- Southland FFA
- Senath Hornersville FFA
- Malden FFA
- 4-H/FFA – District Fair Livestock Auctions
- FFA Tractor Driving Contest Sponsor
- National FFA Week in Dexter – Sponsored a booth with Farm Credit employees giving a speech about Farm Credit Southeast Missouri and agriculture
- Area FFA Teacher's Meeting Sponsors
- Southeast Missouri Collegiate Cattlemen's Association

Safety and Soundness of the Program

To provide for extension of sound and constructive credit to young, beginning, and small farmers and ranchers, consistent with our mission statement and business objectives, we set standards and guidelines related to character, capacity, capital, and collateral.

The following standards and guidelines applied to our young, beginning, and small farmers and ranchers:

AgSunrise Underwriting and Guidelines

Flexible loan limits are established which effectively reflect the unique financial characteristics of young, beginning, and small farmers and ranchers, as follows:

- 20% Owner's Equity minimum
- No minimum Net Worth
- 100% Capital Debt Repayment Capacity minimum
- 85% Loan to Appraised Value (LN/AV) Federal Land Credit Association (FLCA) maximum
- 100% LN/AV Production Credit Association (PCA) maximum – Crop value will be counted as 100% of the Operating Loan Amount with a first lien on crops
- 0% Adjusted Working Capital to Average Gross Income

Senior Loan Committee concurrence will be required when limits are not met as we do not want to miss an opportunity to do business with a potential or current customer who has solid character and a reasonable chance of a good farming career.

We will approach each loan request individually and base approval on the merits of each request. We will consider all aspects which contribute to the success of the operation weighing risk to our Association along with potential benefits with financing these beginning operations.

As indicated by these standards, primary emphasis will be on the character and capacity standards. Exceptions may be granted if there are offsetting strengths. All terms of repayment or advances will be consistent with our existing lending standards and policy. Obtaining co-signers or guarantors will be encouraged where applicable in order to maintain credit standards, but is not necessarily a requirement. Whenever possible, maximum coordination will occur between our Association and with governmental and other private sources of credit to provide the best credit package for the customer. Applicants are expected to have the capability to manage and perform at or above average enterprise standards of earnings.

To minimize credit and profit risk exposure when less restrictive minimum credit criteria are required than for other customers, supplemental services or incentives not offered to other customers are available, or qualifying farmers receive preferred interest rates, we have set a maximum portfolio concentration not to exceed 200% of our risk funds. This maximum portfolio concentration is the total outstanding principal balances of loans to young, beginning, and small farmers and ranchers which have one or more exceptions to the core underwriting standards for regular loans (i.e., 50% owner's equity, 15% working capital divided by average gross income, 115% capital debt repayment capacity, and 75% loan to appraised value for the PCA or 65% loan to appraised value for the FLCA – as traditionally analyzed, or loans scoring less than 200 if scorecard processed).

Management will ensure that loans made under these programs are identified and reported to the Board quarterly and to AgriBank and the FCA annually, or more frequently as required. Such reports will provide a summary of actual results compared to the quantitative and qualitative program targets and goals as set forth in our operational and strategic business plan. Reports on these programs will also be provided to regulatory agencies, as required.

We implemented the AgSunrise Ambassador program in 2021. One AgSunrise customer from each branch was selected to be a member of the first class of the Ambassador Program. These customer-owners have an interest in improving their knowledge and understanding of Farm Credit and peer farmer and rancher operations. The goal of the program is to provide an environment that allows these young, beginning farmers and ranchers the opportunity to network with other young, beginning farmers and ranchers, gain an understanding of the Farm Credit System, strengthen their ability to manage their operations, and visit successful farming operations and agribusiness in the territory.

Heather Couch (Vice President/Branch Manager – Sikeston) is the coordinator for the AgSunrise programs.

FUNDS HELD PROGRAM

Farm Credit Southeast Missouri, ACA
(Unaudited)

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

Payment Application

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

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

Account Maximum

The amount in Funds Held may not exceed 50.0% of the unpaid principal balance of the loan.

Interest Rate

Interest will accrue on Funds Held at a simple rate of interest determined by the Association, but may never exceed the interest rate charged on the related loan. The Association may change the interest rate from time to time and may provide for different rates for different categories of loans.

Interest rates are currently reported on each customer's year end loan statement.

Withdrawals

The Association may permit borrowers to withdraw funds from a voluntary Funds Held account, on an exception basis, up to four times per year. The minimum amount that may be withdrawn at any one time is limited to the lesser of \$500 or the balance remaining in the Funds Held account.

All requests for withdrawal of funds are subject to Association approval.

Association Options

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

Uninsured Account

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

Questions

Please direct any questions regarding Funds Held to your local branch representative.



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