LEGACY AG CREDIT, ACA
2022
Quarterly Report

For the Nine Months Ended September 30, 2022

REPORT OF MANAGEMENT

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

Derrell W. Chapman, CPA, Chief Executive Officer

November 8, 2022

Terry Milligan, Chairman, Board of Directors

November 8, 2022

Heather Johnson, CPA, Chief Financial Officer

November 8, 2022

Third Quarter 2022 Financial Report

Table of Contents

LEGACY AG CREDIT, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of Legacy Ag Credit, ACA ("Legacy" or "association"), for the quarter ended September 30, 2022. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2021 Annual Report to Stockholders.

The association is a member of the Farm Credit System ("System"), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration ("FCA") promulgated thereunder.

The consolidated financial statements comprise the operations of Legacy and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the association's audit committee.

Loan Portfolio:

Total loans outstanding at September 30, 2022, including nonaccrual loans and sales contracts, were $361,861,554 compared to $344,279,818 at December 31, 2021, an increase of 5.11%. Nonaccrual loans as a percentage of total loans outstanding were 1.06% at September 30, 2022, compared to 0.78% at December 31, 2021.

The association recorded $900 in recoveries and $0 in charge-offs for the quarter ended September 30, 2022, and $109,768 in recoveries and $9,906 in charge-offs for the same period in 2021. The association's allowance for loan losses was 0.40% and 0.41% of total loans outstanding as of September 30, 2022, and December 31, 2021, respectively.

Risk Exposure

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The following table illustrates the association's components and trends of high-risk assets.

	September 30, 2022		December 31, 2021	
	Amount	**%**	Amount	%
Nonaccrual	**$ 3,849,137**	**81.9%**	$ 2,681,965	74.9%
Formally restructured	**850,600**	**18.1%**	900,039	25.1%
Total	**$ 4,699,737**	**100.0%**	$ 3,582,004	100.0%

Results of Operations

The association had net income of $1,437,085 and $4,032,845 for the three and nine months ended September 30, 2022, respectively, as compared to net income of $1,060,596 and $2,936,064 for the same period in 2021, an increase of 35.50% and 37.36%. Net interest income was $2,536,945 and $7,422,487 for the three and nine months ended September 30, 2022, compared to $2,272,810 and $6,704,551 for the same period in 2021.

	Nine Months Ended			
	September 30, 2022		September 30, 2021	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 357,712,001**	**$ 12,542,712**	$ 312,430,022	$ 10,712,382
Interest-bearing liabilities	**301,708,376**	**5,120,225**	257,729,652	4,007,831
Impact of capital	**$ 56,003,625**		$ 54,700,370	
Net interest income		**$ 7,422,487**		$ 6,704,551

	2022 Average Yield	2021 Average Yield
Yield on loans	**4.69%**	4.58%
Cost of interest-bearing liabilities	**2.27%**	2.08%
Interest rate spread	**2.42%**	2.51%
Net interest income as a percentage of average earning assets	**2.77%**	2.87%

	Nine months ended: September 30, 2022 vs. September 30, 2021		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 1,552,597**	**$ 277,733**	**$ 1,830,330**
Interest expense	**684,188**	**428,206**	**1,112,394**
Net interest income	**$ 868,409**	**$ (150,473)**	**$ 717,936**

Interest income for the three and nine months ended September 30, 2022, increased by $824,663 and $1,830,330, or 22.62% and 17.09% respectively, from the same period of 2021, primarily due to an increase in average loan volume, which was partially offset by decreasing yields on earning assets. Interest expense for the three and nine months ended September 30, 2022, increased by $560,528 and $1,112,394, or 40.81% and 27.76%, from the same period of 2021 due to an increase in interest rates and an increase in average debt volume. Average loan volume for the third quarter of 2022 was $364,133,618, compared to $317,781,803 in the third quarter of 2021. The average net interest rate spread on the loan portfolio for the third quarter of 2022 was 2.38%, compared to 2.48% in the third quarter of 2021.

The association's return on average assets for the nine months ended September 30, 2022, was 1.46% compared to 1.22% for the same period in 2021. The association's return on average equity for the nine months ended September 31, 2022, was 8.33%, compared to 6.29% for the same period in 2021.

Liquidity and Funding Sources

The association secures the majority of its lendable funds from the Farm Credit Bank of Texas ("bank"), which obtains its funds through the issuance of System-wide obligations and with lendable equity. The following schedule summarizes the association's borrowings.

	September 30, 2022	December 31, 2021
Note payable to the bank	**$ 305,943,178**	$ 286,451,817
Accrued interest on note payable	**644,729**	495,812
Total	**$ 306,587,907**	$ 286,947,629

The association operates under a general financing agreement ("GFA") with the bank. The current GFA is effective through September 30, 2022. The primary source of liquidity and funding for the association is a direct loan from the bank. The outstanding balance of $305,943,178 as of September 30, 2022, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 2.27 percent at September 30, 2022. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the bank and is governed by the GFA. The increase/decrease in note payable to the bank and related accrued interest payable since December 31, 2021, is due to the association's increase in loan volume. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were $55,299,441 at September 30, 2022.

The maximum amount the association may borrow from the bank as of September 30, 2022, was $358,897,862 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2022, unless sooner terminated by the bank upon the occurrence of an event of default, or by the association, in the event of a breach of this agreement by the bank, upon giving the bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the bank 120 days' prior written notice.

Capital Resources

The association's capital position increased by $1,219,728 at September 30, 2022, compared to December 31, 2021 due to earnings of $4,032,843 for the nine months ended September 30, 2022 offset by the payment of $2,845,692 in patronage in the first quarter of 2022. The association's debt as a percentage of members' equity was 4.37:1 as of September 30, 2022, compared to 4.45:1 as of December 31, 2021.

Farm Credit Administration regulations require us to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of September 30, 2022, the association exceeded all regulatory capital requirements.

Significant Recent Accounting Pronouncements:

Refer to Note 1 – "Organization and Significant Accounting Policies" in this quarterly report for disclosures of recent accounting pronouncements which may impact the association's consolidated financial position and results of operations and for critical accounting policies.

Relationship With the Farm Credit Bank of Texas

The association's financial condition may be impacted by factors that affect the bank. The financial condition and results of operations of the bank may materially affect the stockholder's investment in the association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2021 Annual Report of Legacy more fully describe the association's relationship with the bank.

The annual and quarterly stockholder reports of the bank are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9204. The annual and quarterly stockholder reports for the bank are also available on its website at *www.farmcreditbank.com.*

The association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Legacy Ag Credit, ACA, 303 Connally St., Sulphur Springs, TX 75482 or calling (903) 885-9566. The annual and quarterly stockholder reports for the association are also available on its website at *www.legacyaca.com.* Copies of the association's quarterly stockholder reports can also be requested by e-mailing sherry.sturgis@legacyaca.com.

LEGACY AG CREDIT, ACA

CONSOLIDATED BALANCE SHEETS

	September 30, 2022 (unaudited)	December 31, 2021
ASSETS		
Cash	$ 117,498	$ 104,802
Loans	361,861,554	344,279,818
Less: allowance for loan losses	1,449,351	1,417,406
Net loans	360,412,203	342,862,412
Accrued interest receivable	2,100,732	1,188,891
Investment in and receivable from the FCBT:		
Capital stock	5,192,520	5,192,520
Other	1,580,236	177,250
Premises and equipment, net	4,799,926	4,276,339
Other assets	245,294	192,012
Total assets	$ 374,448,409	$ 353,994,226
LIABILITIES		
Note payable to FCBT	$ 305,943,178	$ 286,451,817
Advance conditional payments	-	1,433
Accrued interest payable	644,729	495,920
Drafts outstanding	62,049	178,325
Other liabilities	1,663,218	1,951,224
Total liabilities	308,313,174	289,078,719
MEMBERS' EQUITY		
Capital stock and participation certificates	1,205,610	1,171,860
Unallocated retained earnings	64,929,386	63,742,235
Accumulated other comprehensive income (loss)	239	1,412
Total members' equity	66,135,235	64,915,507
Total liabilities and members' equity	$ 374,448,409	$ 353,994,226

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

LEGACY AG CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2022	2021	**2022**	2021
INTEREST INCOME				
Loans	**$ 4,471,096**	$ 3,646,433	**$ 12,542,712**	$ 10,712,382
INTEREST EXPENSE				
Note payable to FCBT	**1,934,151**	1,373,623	**5,120,225**	4,007,831
Net interest income	**2,536,945**	2,272,810	**7,422,487**	6,704,551
PROVISION FOR LOAN LOSSES	**(12,607)**	(26,396)	**28,945**	108,628
Net interest income after provision for loan losses	**2,549,552**	2,299,206	**7,393,542**	6,595,923
NONINTEREST INCOME				
Income from FCBT				
Patronage income	**534,026**	532,502	**1,554,634**	1,265,597
Loan fees	**88,268**	144,863	**336,782**	448,921
Financially related services income	**65**	12	**156**	141
Gain (loss) on sale of premises and equipment, net	**3**	-	**(5,131)**	70,884
Other noninterest income	**51,868**	9,010	**167,084**	90,877
Total noninterest income	**674,230**	686,387	**2,053,525**	1,876,420
NONINTEREST EXPENSES				
Salaries and employee benefits	**1,083,297**	1,305,698	**3,326,943**	3,573,238
Directors' expense	**51,002**	21,945	**191,792**	112,130
Purchased services	**123,758**	119,509	**397,985**	380,637
Travel	**58,767**	56,723	**195,965**	155,620
Occupancy and equipment	**152,254**	136,416	**434,047**	407,776
Communications	**23,817**	26,998	**70,302**	85,091
Advertising	**27,461**	57,905	**80,114**	187,360
Public and member relations	**52,449**	42,616	**104,567**	143,575
Supervisory and exam expense	**32,430**	30,061	**92,554**	82,158
Insurance Fund premiums	**120,350**	80,100	**351,354**	234,792
Other components of net periodic postretirement benefit cost	**1,771**	1,537	**5,312**	4,610
Other noninterest expense	**59,343**	45,489	**163,289**	169,322
Total noninterest expenses	**1,786,699**	1,924,997	**5,414,224**	5,536,309
NET INCOME	**1,437,083**	1,060,596	**4,032,843**	2,936,034
Other comprehensive income:				
Change in postretirement benefit plans	**(391)**	(391)	**(1,173)**	(1,173)
COMPREHENSIVE INCOME	**$ 1,436,692**	$ 1,060,205	**$ 4,031,670**	$ 2,934,861

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

LEGACY AG CREDIT, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2020	$ 1,084,410	$ 62,004,243	$ 6,987	$ 63,095,640
Comprehensive income	-	2,936,033	(1,173)	2,934,860
Capital stock/participation certificates and allocated retained earnings issued	210,600			210,600
Capital stock/participation certificates and allocated retained earnings retired	(150,125)			(150,125)
Patronage Paid		(2,469,972)		(2,469,972)
Balance at September 30, 2021	$ 1,144,885	$ 62,470,304	$ 5,814	$ 63,621,003
Balance at December 31, 2021	$ 1,171,860	$ 63,742,235	$ 1,412	$ 64,915,507
Comprehensive income	-	4,032,843	(1,173)	4,031,670
Capital stock/participation certificates and allocated retained earnings issued	159,680			159,680
Capital stock/participation certificates and allocated retained earnings retired	(125,930)			(125,930)
Patronage Paid		(2,845,692)		(2,845,692)
Balance at September 30, 2022	**$ 1,205,610**	**$ 64,929,386**	**$ 239**	**$ 66,135,235**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Legacy Ag Credit, ACA ("Agricultural Credit Association") is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The association serves the counties of Franklin, Gregg, Harrison, Hopkins, Kaufman, Marion, Rains, Upshur, Van Zandt, and Wood in the state of Texas. The association is a lending institution of the System, which was established by Acts of Congress to meet the needs of American agriculture.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2021, as contained in the 2021 Annual Report to Stockholders.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP), except for the inclusion of a statement of cash flows. GAAP require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the association has elected not to include a statement of cash flows in these consolidated financial statements. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2021, as contained in the 2021 Annual Report to Stockholders. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2022. Descriptions of the significant accounting policies are included in the 2021 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

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

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a single allowance framework for financial assets carried at amortized cost, which reflects management's estimate of expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to held-to maturity securities and depending on the situation available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers including this, entity, this guidance becomes effective for interim and annual reporting periods beginning after December 15, 2022. We continue to test and refine our current expected loss models.

Legacy intends to estimate losses over a two-year forecast period using a range of macroeconomic variables and then revert to the entity's historical loss experience over an extended period. The impact of adoption of the standard is expected to be immaterial to Legacy's financial condition. This estimate will ultimately depend on the nature of the loan portfolio, final validation of models and methodologies, management's judgments, including macroeconomic conditions and related forecasts at the adoption date of January 1, 2023.

The entity does not expect its held-to-maturity or available-for-sale securities to be materially impacted by the adoption of this standard as a majority of the portfolio consists of U.S. Treasury and U.S. agency securities that inherently have an immaterial risk of loss.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management's estimates. The results for the quarter ended September 30, 2022, are not necessarily indicative of the results to be expected for the year ended December 31, 2022. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**September 30, 2022 Amount**	December 31, 2021 Amount
Production agriculture:		
Real estate mortgage	**$ 303,874,665**	$ 284,813,145
Production and intermediate term	**11,877,462**	13,434,786
Agribusiness:		
Loans to cooperatives	**4,427,817**	3,172,038
Processing and marketing	**16,816,394**	17,597,455
Farm-related business	**2,311,202**	3,122,997
Communication	**7,119,232**	7,107,097
Energy	**4,376,372**	4,866,302
Water and waste water	**1,998,417**	2,799,587
Rural residential real estate	**9,059,992**	7,366,411
Total	**$ 361,861,553**	$ 344,279,818

The association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at September 30, 2022:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 10,634,883	$ -	$ -	$ -	$ 10,634,883	$ -
Production and intermediate term	3,734,842	-	-	-	3,734,842	-
Agribusiness	23,555,413	-	-	-	23,555,413	-
Communication	7,119,232	-	-	-	7,119,232	-
Energy	4,376,372	-	-	-	4,376,372	-
Water and waste water	1,998,417	-	-	-	1,998,417	-
Total	$ 51,419,159	$ -	$ -	$ -	$ 51,419,159	$ -

The association is authorized under the Farm Credit Act to accept “advance conditional payments” (ACPs) from borrowers. To the extent the borrower’s access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower’s related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the association on such balances. Balances of ACPs were $0 and $1,433 at September 30, 2022, and December 31, 2021, respectively.

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

	September 30, 2022	December 31, 2021
Nonaccrual loans:		
Real estate mortgage	**$ 1,594,486**	$1,530,827
Production and intermediate term	**-**	152,020
Agribusiness	**1,255,533**	-
Energy	**999,118**	999,118
Total nonaccrual loans	**3,849,137**	2,681,965
Accruing restructured loans:		
Real estate mortgage	**850,600**	900,039
Total nonperforming assets	**$ 4,699,737**	$3,582,004

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

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

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

	September 30, 2022	December 31, 2021
Real estate mortgage		
Acceptable	**99.0 %**	98.7 %
OAEM	**0.4**	0.5
Substandard/doubtful	**0.6**	0.8
	100.0	100.0
Production and intermediate term		
Acceptable	**99.9**	98.4
OAEM	**0.1**	0.1
Substandard/doubtful	**-**	1.5
	100.0	100.0
Agribusiness		
Acceptable	**94.7**	100.0
OAEM	**-**	-
Substandard/doubtful	**5.3**	-
	100.0	100.0
Energy and water/waste water		
Acceptable	**84.4**	87.0
OAEM	**-**	-
Substandard/doubtful	**15.6**	13.0
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
	-	-
Total loans		
Acceptable	**98.4**	98.5
OAEM	**0.4**	0.4
Substandard/doubtful	**1.2**	1.1
	100.0 %	100.0 %

The following tables provide an age analysis of past due loans (including accrued interest) by loan type as of:

September 30, 2022	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**
Real estate mortgage	**$ 903,527**	**$ 682,617**	**$ 1,586,144**	**$ 304,136,274**	**$ 305,722,418**
Production and intermediate term	**-**	**-**	**-**	**12,020,436**	**12,020,436**
Loans to cooperatives	**-**	**-**	**-**	**4,445,855**	**4,445,855**
Processing and marketing	**-**	**-**	**-**	**16,841,418**	**16,841,418**
Farm-related business	**-**	**-**	**-**	**2,319,574**	**2,319,574**
Communication	**-**	**-**	**-**	**7,120,411**	**7,120,411**
Energy	**-**	**999,118**	**999,118**	**3,398,656**	**4,397,774**
Water and waste water	**-**	**-**	**-**	**2,008,639**	**2,008,639**
Rural residential real estate	**-**	**-**	**-**	**9,085,761**	**9,085,761**
Total	**$ 903,527**	**$ 1,681,735**	**$ 2,585,262**	**$ 361,377,024**	**$ 363,962,286**

December 31, 2021	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 334,662	$ 649,495	$ 984,157	$ 284,866,978	$ 285,851,135
Production and intermediate term	-	-	-	13,488,398	13,488,398
Loans to cooperatives	-	-	-	3,175,958	3,175,958
Processing and marketing	-	-	-	17,628,157	17,628,157
Farm-related business	-	-	-	3,127,229	3,127,229
Communication	-	-	-	7,107,507	7,107,507
Energy	-	999,118	999,118	3,875,783	4,874,901
Water and waste water	-	-	-	2,829,845	2,829,845
Rural residential real estate	-	-	-	7,385,579	7,385,579
Total	$ 334,662	$ 1,648,613	$ 1,983,275	$ 343,485,434	$ 345,468,709

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

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

As of September 30, 2022, the total recorded investment of troubled debt restructured loans was $1,533,216, including $682,617 classified as nonaccrual and $850,600 classified as accrual, with specific allowance for loan losses of $47,982. The specific allowance is determined quarterly through a net realizable value analysis for each individual loan asset. As of September 30, 2022 and December 31, 2021, there were no commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring.

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest). There were no charge-offs recorded at the modifications for the quarter ending September 30, 2022.

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

There were no loans that met the accounting criteria as a troubled debt restructuring and that occurred within the previous 12 months and for which there was a subsequent payment default during the period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

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

	Loans Modified as TDRs		TDRs in Nonaccrual Status*	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Real estate mortgage	$ 1,533,216	$ 1,547,017	$ 682,617	$ 646,978

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

Additional impaired loan information is as follows:

	September 30, 2022			December 31, 2021		
	Recorded Investment	**Unpaid Principal Balance[a]**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Real estate mortgage	**$ 202,492**	**$ 202,492**	**$ 47,982**	$ 646,978	$ 646,978	$ 271,324
Processing and marketing	**1,255,533**	**1,260,991**	**269,073**	-	-	-
Energy and water/waste water	**999,118**	**999,950**	**250,000**	999,118	999,950	250,000
Total	**$2,457,143**	**$ 2,463,433**	**$ 567,055**	$ 1,646,096	$ 1,646,928	$ 521,324
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$2,242,593**	**$ 2,284,172**	**$ -**	$ 1,783,889	$ 1,814,356	$ -
Production and intermediate term	**-**	**353,540**	**-**	152,019	508,559	-
Total	**$2,242,593**	**$ 2,637,712**	**$ -**	$ 1,935,908	$ 2,322,915	$ -
Total impaired loans:						
Real estate mortgage	**$2,445,085**	**$ 2,486,664**	**$ 47,982**	$ 2,430,867	$ 2,461,334	$ 271,324
Production and intermediate term	**-**	**353,540**	**-**	152,019	508,559	-
Processing and marketing	**1,255,533**	**1,260,991**	**269,073**	-	-	-
Energy and water/waste water	**999,118**	**999,950**	**250,000**	999,118	999,950	250,000
Total	**$4,699,736**	**$ 5,101,145**	**$ 567,055**	$ 3,582,004	$ 3,969,843	$ 521,324

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

	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2022		September 30, 2021		**September 30, 2022**		September 30, 2021	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized	**Average Impaired Loans**	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:								
Real estate mortgage	**$ 202,492**	**$ -**	$ 643,884	$ -	**$ 202,492**	**$ -**	$ 653,154	$ -
Production and intermediate term	**-**	**-**	-	1,069	**-**	**-**	-	1,069
Processing and marketing	**779,080**	**-**	-	-	**771,446**	**-**	-	-
Energy and water/waste water	**999,118**	**-**	999,118	-	**995,459**	**-**	518,019	-
Total	**$1,980,690**	**$ -**	$1,643,002	$ 1,069	**$1,969,397**	**$ -**	$1,171,173	$ 1,069
Impaired loans with no related allowance for credit losses:								
Real estate mortgage	**$2,101,450**	**$ 13,007**	$1,860,130	$ 90,141	**$2,132,629**	**$ 35,960**	$1,904,616	$ 140,788
Production and intermediate term	**-**	**12,721**	152,020	1,393	**-**	**16,001**	142,592	81,255
Processing and marketing	**26,772**	**-**	-	-	**26,772**	**-**	-	-
Energy and water/waste water	**-**	**-**	-	-	**-**	**-**	-	-
Total	**$2,128,222**	**$ 25,728**	$2,012,150	$ 91,534	**$2,159,401**	**$ 51,961**	$2,047,208	$ 222,043
Total impaired loans:								
Real estate mortgage	**$2,303,942**	**$ 13,007**	$2,504,014	$ 90,141	**$2,335,121**	**$ 35,960**	$2,557,770	$ 140,788
Production and intermediate term	**-**	**12,721**	152,020	2,462	**-**	**16,001**	142,592	82,324
Processing and marketing	**805,852**	**-**	-	-	**798,218**	**-**	-	-
Energy and water/waste water	**999,118**	**-**	999,118	-	**995,459**	**-**	518,019	-
Total	**$4,108,912**	**$ 25,728**	$3,655,152	$ 92,603	**$4,128,798**	**$ 51,961**	$3,218,381	$ 223,112

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

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:							
Balance at July 01, 2022	$ 1,073,213	$ 319,200	$ 56,175	$ 3,049	$ 2,557	$ 6,864	$ 1,461,058
Recoveries	-	900	-	-	-	-	900
Provision for loan losses	(201,414)	(302,582)	241,134	16	249,908	331	(12,607)
Balance at September 30, 2022	$ 871,799	$ 17,518	$ 297,309	$ 3,065	$ 252,465	$ 7,195	$ 1,449,351
Balance at December 31, 2021	$ 820,811	$ 301,325	$ 32,877	$ 2,994	$ 253,374	$ 6,025	$ 1,417,406
Recoveries	-	3,000	-	-	-	-	3,000
Provision for loan losses	50,988	(286,807)	264,432	71	(909)	1,170	28,945
Balance at September 30, 2022	$ 871,799	$ 17,518	$ 297,309	$ 3,065	$ 252,465	$ 7,195	$ 1,449,351
Ending Balance:							
Individually evaluated for impairment	$ 47,982	$ -	$ 269,073	$ -	$ 250,000	$ -	$ 567,055
Collectively evaluated for impairment	823,817	17,518	28,236	3,065	2,465	7,195	882,296
Balance at September 30, 2022	$ 871,799	$ 17,518	$ 297,309	$ 3,065	$ 252,465	$ 7,195	$ 1,449,351
Balance at July 01, 2021	$ 971,950	$ 326,729	$ 43,933	$ 3,781	$ 6,044	$ 5,646	$ 1,358,083
Recoveries		50,245	-	-	-	-	50,245
Provision for loan losses	11,689	(27,927)	(7,344)	(745)	(2,176)	106	(26,397)
Balance at September 30, 2021	$ 983,639	$ 349,047	$ 36,589	$ 3,036	$ 3,868	$ 5,752	$ 1,381,931
Balance at December 30, 2020	$ 750,304	$ 362,065	$ 45,392	$ 4,184	$ 6,668	$ 4,829	$ 1,173,442
Charge-offs	(9,906)	-	-	-	-	-	(9,906)
Recoveries	-	109,767	-	-	-	-	109,767
Provision for loan losses	243,241	(122,785)	(8,803)	(1,148)	(2,800)	923	108,628
Balance at September 30, 2021	$ 983,639	$ 349,047	$ 36,589	$ 3,036	$ 3,868	$ 5,752	$ 1,381,931
Ending Balance:							
Individually evaluated for impairment	$ 268,173	$ -	$ -	$ -	$ 250,000	$ -	$ 518,173
Collectively evaluated for impairment	715,466	349,047	36,589	3,036	(246,132)	5,752	863,758
Balance at September 30, 2021	$ 983,639	$ 349,047	$ 36,589	$ 3,036	$ 3,868	$ 5,752	$ 1,381,931

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Total
Recorded Investments in Loans Outstanding:							
Ending Balance at September 30, 2022	$ 305,722,419	$ 12,020,436	$ 23,606,846	$ 7,120,411	$ 6,406,413	$ 9,085,761	$ 363,962,286
Individually evaluated for impairment	$ 2,445,085	$ -	$ 1,255,533	$ -	$ 999,118	$ -	$ 4,699,736
Collectively evaluated for impairment	$ 303,277,334	$ 12,020,436	$ 22,351,313	$ 7,120,411	$ 5,407,295	$ 9,085,761	$ 359,262,550
Ending Balance at December 31, 2021	$ 285,851,134	$ 13,488,398	$ 23,931,345	$ 7,107,507	$ 7,704,746	$ 7,385,579	$ 345,468,709
Individually evaluated for impairment	$ 2,430,866	$ 152,020	$ -	$ -	$ 999,118	$ -	$ 3,582,004
Collectively evaluated for impairment	$ 283,420,268	$ 13,336,378	$ 23,931,345	$ 7,107,507	$ 6,705,628	$ 7,385,579	$ 341,886,705

NOTE 3 — CAPITAL:

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

Regulatory Capitalization Requirements

Risk-adjusted:	**Regulatory Requirements Including Capital Conservation Buffers**	**As of September 30, 2022**
Common equity tier 1 ratio	7.00%	17.77%
Tier 1 capital ratio	8.50%	17.77%
Total capital ratio	10.50%	18.21%
Permanent capital ratio	7.00%	17.85%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	15.99%
UREE leverage ratio	1.50%	15.67%

The details for the amounts used in the calculation of the regulatory capital ratios as of September 30, 2022:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	**42,173,811**	**42,173,811**	**42,173,811**	**42,173,811**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**1,205,156**	**1,205,156**	**1,205,156**	**1,205,156**
Nonqualified allocated equities not subject to retirement	**20,976,781**	**20,976,781**	**20,976,781**	**20,976,781**
Allowance for loan losses and reserve for credit losses subject to certain limitations			**1,460,913**	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(5,192,520)**	**(5,192,520)**	**(5,192,520)**	**(5,192,520)**
	59,163,228	59,163,228	60,624,141	59,163,228
Denominator:				
Risk-adjusted assets excluding allowance	**338,171,472**	**338,171,472**	**338,171,472**	**338,171,472**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(5,192,520)**	**(5,192,520)**	**(5,192,520)**	**(5,192,520)**
Allowance for loan losses				**(1,460,913)**
	332,978,952	332,978,952	332,978,952	331,518,039
Calculated Ratio	**17.77%**	**17.77%**	**18.21%**	**17.85%**

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	**42,173,811**	**42,173,811**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**1,205,156**	-
Nonqualified allocated equities not subject to retirement	**20,976,781**	**20,976,781**
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(5,192,520)**	**(5,192,520)**
	59,163,228	**57,958,072**
Denominator:		
Total Assets	**377,449,105**	**377,449,105**
Regulatory Adjustments and Deductions:		**-**
Regulatory deductions included in tier 1 capital	**(7,475,312)**	**(7,475,312)**
	369,973,793	369,973,793
Calculated Ratio	**15.99%**	**15.67%**

An additional component of equity is accumulated other comprehensive income, which is reported net of taxes, is as follows:

	Accum Other Comp Income (Loss)		
September 30, 2022	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**239**	**-**	**239**
September 30, 2021	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	5,814	-	**5,814**

The association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. The following table summarizes the change in accumulated other comprehensive income (loss) for the nine months ended September 30:

	2022	**2021**
Accumulated other comprehensive income (loss) at January 1	**$ 1,412**	$ 6,987
Amortization of prior service (credit) costs included in salaries and employee benefits	**(1,173)**	(1,173)
Accumulated other comprehensive income (loss) at September 30	**$ 239**	$ 5,814

NOTE 4 — INCOME TAXES:

Legacy conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly-owned Federal Land Credit Association ("FLCA") subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly-owned Production Credit Association ("PCA") subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. The association operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the association can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized.

NOTE 5 — FAIR VALUE MEASUREMENTS:

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 13 to the 2021 Annual Report to Stockholders for a more complete description.

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

September 30, 2022	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans*	**$ -**	**$ -**	**$1,890,088**	**$1,890,088**

December 31, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans*	$ -	$ -	$ 1,124,772	$ 1,124,772

*Represents the fair value of certain loans that were evaluated for impairment under the authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral.

Valuation Techniques

As more fully discussed in Note 13 to the 2021 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the association's assets and liabilities. For a more complete description, see Notes to the 2021 Annual Report to Stockholders.

Loans Evaluated for Impairment

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

Other Property Owned

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

Cash

For cash, the carrying amount is a reasonable estimate of fair value.

Loans

Fair value is estimated by discounting the expected future cash flows using the associations' current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the associations' current loan origination rates as well as management's estimates of credit risk. Management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale and could be less.

For purposes of estimating fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows, primarily based on contractual terms, and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

The fair value of loans in nonaccrual status that are current as to principal and interest is estimated as described above, with appropriately higher interest rates which reflect the uncertainty of continued cash flows. For collateral-dependent impaired loans, it is assumed that collection will result only from the disposition of the underlying collateral.

Commitments to Extend Credit

The fair value of commitments is estimated using the fees currently charged for similar agreements, taking into account the remaining terms of the agreements and the creditworthiness of the counterparties. For fixed-rate loan commitments, estimated fair value also considers the difference between current levels of interest rates and the committed rates.

NOTE 6 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the three and nine months ended September 31:

Three months ended September 30:	Other Benefits	
	2022	2021
Service cost	**$ 1,332**	$ 2,069
Interest cost	**2,161**	1,928
Amortization of prior service (credits) costs	**(391)**	(391)
Net periodic benefit cost	**$ 3,102**	$ 3,606

Nine months ended September 30:	Other Benefits	
	2022	2021
Service cost	**$ 3,996**	$ 6,207
Interest cost	**6,485**	5,783
Amortization of prior service (credits) costs	**(1,174)**	(1,173)
Net periodic benefit cost	**$ 9,307**	$ 10,817

The association's liability for the unfunded accumulated obligation for these benefits at September 30, 2022, was $289,690 and is included in other liabilities on the balance sheet.

The components of net periodic benefit cost other than the service cost component are included in the line item "other components of net periodic postretirement benefit cost" in the income statement.

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (bank and associations). The association recognizes its amortized annual contributions to the plan as an expense. The defined benefit Plan Sponsor (FCBT Board of Directors) recommended in prior years that the district associations make up a shortfall in the pension plan funding based on current assumptions including projected future funding costs and rate of return on plan assets. As of September 30, 2022, $18,870 of contributions have been made. The association presently anticipates contributing an additional $6,290 to fund the defined benefit pension plan in 2022 for a total of $25,160.

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

The association is involved in various legal proceedings in the normal course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the association.

NOTE 8 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through November 8, 2022, which is the date the financial statements were issued or available to be issued and has determined that there were no other events requiring disclosure.