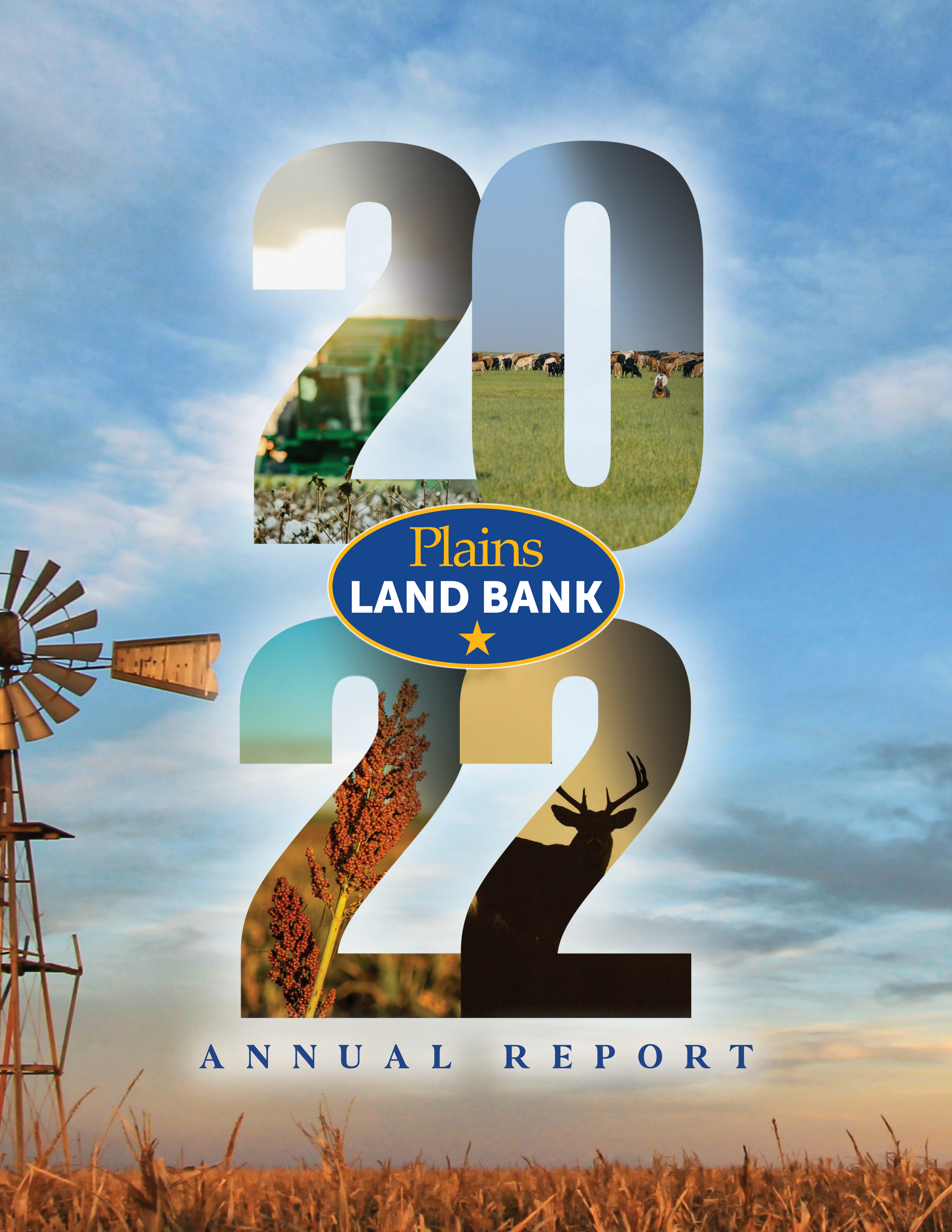
2022
Plains
LAND BANK
ANNUAL REPORT

Helping People Own a Piece of Texas

OUR COMMITMENT TO SERVE

Our mission of "Helping People Own a Piece of Texas" in good times and in bad, is just that. Plains Land Bank sets itself apart by providing in-depth knowledge and expertise in agriculture and rural residence lending through personalized service when our stockholders need it most. Through the cooperative model, our team's commitment remains superior customer service, and a financially safe and sound association, while at the same time providing a strong return to our stockholders in the form of an all-cash patronage.

At Plains Land Bank, our staff is dedicated to serve our stockholders and seek customized financial solutions. The year 2022 would prove no different as challenges continued to progress throughout the world economy and impact all facets of agriculture. Commodity market volatility, supply chain and essential product inventory disruptions, regional drought, an historic increase in inflation and a rapid rise in interest rates would create a an unpredictable and uncertain environment for all our stockholders.

The agriculture industry has long displayed resilience, heart and dedication in producing and providing the world with food, fiber and fuel. The Texas Panhandle and you our stockholders, set the example for all to follow as you continue your long history of success in the face of adversity.

Despite the challenges faced in 2022, thanks to our stockholders and our dedicated team of employees, Plains Land Bank enjoyed a year of strong portfolio growth, while also maintaining excellent credit quality. Record earnings resulted in the board's decision to issue the largest all-cash patronage in the history of this association. We continue to work hand in hand, improving efficiencies through technology, to deliver personalized services to quickly meet the needs of these uncertain times. As we have for over 100 years, Plains Land Bank will be here so that together we can help continue the legacies that you tirelessly work to pass on to future generations.

Thank you all for your continued business and support.

Best Regards,

Kay Lynn McLaughlin
Chief Executive Officer

2022 IN REVIEW

$10.5 MILLION *Patronage declared based on 2022 earnings*

1,239 *Total number of stockholders*

$993 MILLION *Total assets*

$21.8 MILLION *Net income*

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PLAINS LAND BANK - BOARD OF DIRECTORS

Plains Land Bank's Board of Directors are elected to represent our cooperative and they serve the organization with your voice in mind. As a supervisory board, members attend board meetings and make decisions that influence the way we run our association. Elections are held annually, though, several of our directors have served on the board for many years.
Meet our leadership:

Randy D. Darnell

Randy was elected to the board in 2002. He was raised in Amarillo in a typical suburban household. His parents both worked outside the home - his mom as a teacher and his dad as a leasing superintendent for Santa Fe Railroad. Randy is a 1979 graduate of Amarillo High School and a 1983 graduate of Texas Tech University with a degree in agricultural economics. He married his wife, Lisa, in 1983, and they have three children and three grandchildren. Randy previously served on the Canyon ISD board. He began full-time farming in 1983 and now grows wheat, corn, cotton, sorghum, and runs a cow/calf operation.

"When purchasing my first farm, I was encouraged to look into using the Land Bank by my commercial banker. I've never had a land loan anywhere else. The people and ease of the lending options keep me coming back."

Jerrell K. Key

Jerrell was elected to the board in 2019. He was raised in Lubbock and attended Monterey High School. He later attended Texas Tech University, where he received his B.S. in agricultural economics with a minor in business finance. Jerrell married his wife, Holly, in 1993. They have raised a daughter and two sons together, living in Gruver since 2001. Jerrell has been the general manager of Adobe Walls Gin, LP since the gin's inception in 2006. He also owns and operates a commercial cow herd and a seedstock operation of predominantly Red Angus cattle. In addition, he raises wheat, cotton and corn.

"I chose Plains Land Bank based on my belief in the Farm Credit System and my relationship with Jess Wall at the Perryton Branch."

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Daniel L. Krienke

Danny was elected to the board in 1999. He was born and raised in Lipscomb and Ochiltree counties. After graduating from FollettHigh School, he went on to attend Clarendon College. His grandad bought land in the area in 1923, and Danny is now the third generation farming that land. He began farming full-time in 1974 and today primarily grows dryland wheat and sorghum with a small amount of irrigated corn. Danny and his wife, Katie, raised two sons and now have eight grandchildren.

"Plains Land Bank helped my grandfather through the Depression and Dust Bowl, and my father after him. Now I am the third-generation Plains Land Bank stockholder."

Walter "Rusty" Henson

Rusty was elected to the board in 2001. He grew up on a ranch southwest of Canyon. He attended Canyon schools and then West Texas State University, where he graduated with a degree in agriculture business. After graduation, Rusty married his wife, Janice, who is now a retired special education teacher. They have two sons, one of whom manages the ranch southwest of Canyon. They also have four granddaughters. Rusty began farming in 1975 and primarily raises cattle and grows some wheat.

"We got our first loan from the Floydada Land Bank in 1978 to purchase my great-grandfather's estate. We chose the Land Bank because they offered long-term real estate loans at a competitive interest rate."

Steve Rader

Steve was elected to the board in 2002. He was raised on his family's ranch in Lipscomb County. After graduating from Canadian High School, he earned a degree in general agriculture from Oklahoma State Univeristy, then came home to farm and ranch with his dad. In 1981, he married his wife, Linda, a school teacher. They raised three children, and they now have five grandchildren. Steve operates a cow/calf herd in Lipscomb and Hemphill counties, and grows several hundred acres of crops.

"I stand on the shoulders of my dad and grandfather, who closed his first Land Bank Loan in 1926. Linda and I came to Plains Land Bank because of a good friend's recommendation. He steered us right! The Land Bank has been a true blessing to me and my entire family for many years."

Lea Stukey

Audit Committee Vice Chairwoman

Lea was appointed to the board as an outside director in 2016. She serves as vice chairwoman of the Audit Committee and the board's financial expert. She is an owner of Lewis, Kaufman, Reid, Stukey, Gattis, & Co., a CPA firm in Plainview, Texas. She specializes in tax planning, preparation, payroll, and business consultation services. Ms. Stukey holds a Bachelor of Business Administration degree from West Texas A&M University. Lea and her husband Kenneth have been married 29 years and have two adult daughters.

"Plains Land Bank has such a strong reputation as being a farmer's friend in the banking world. The people at Plains Land Bank specialize in agriculture lending, so they are very familiar with the unique aspects of the ag economy. That specialized knowledge, along with the solid integrity of the Plains Land Bank staff, provides a great foundation for its patrons to build on."

Dustin Babcock

Dustin was elected to the board in 2022. He was born and raised in the Groom area. He graduated from Groom High School and then attended West Texas A&M University, where he earned a degree in plant, soil, and environmental science. While attending WT, Dustin met his wife, LeAnn, and they married in 2006. Dustin and LeAnn have three children: two sons and a daughter. Today you can find them chasing their kids around at sport events and FFA events, when they aren't working on the farm.

"LeAnn and I got our first loan from Plains Land Bank, the year after we were married, to purchase our first home. That home was important to us starting our family and Plains is still an integral part of our growing farming operation today."

Mallory K. Vestal

Compensation Committe Vice Chairwoman

Mallory was appointed to the board in 2016. She grew up in Tulia. She received her undergraduate degree in agribusiness from West Texas A&M University followed by her Master of Science and Doctoral degrees in agricultural economics at Oklahoma State University. Upon graduation, Mallory joined the faculty at West Texas A&M University where she currently serves as an associate professor of agricultural business & economics and the Plug Piehl Professor of Agriculture. Mallory still returns home to Tulia to help her parents with their operation.

"It has been a great pleasure to be an external board member for Plains Land Bank. I continue to be impressed by the caliber of people associated with this bank. The high work ethic, moral values and positive culture are what make Plains Land Bank exceptional."

Michael S. Harrell

Michael was elected to the board in 2022. He was raised in the Hale Center Halfway Community. Michael began his college career in 1985 at Texas Tech and earned a degree in mechanized agriculture and ag education. He met his wife, Cristie, in 1985 while attending Texas Tech and they were married three years later in May of 1988. They have two adult children, a son and a daughter. Michael enjoys the outdoors, camping, hiking and off-road wheeling in their Jeep.

Today Cristie and Michael live in the house built by Michael's grandparents, and they farm the same land because of help received from a loan from the Land Bank.

"One of my best memories growing up was hopping off the school bus at the house, running into the kitchen for a quick snack of cool whip on a slice of bread that mom taught my sister and I about! After that, I would ask mom where dad was so I could go help him on the farm."

Ryan T. Berry

Compensation Committee Chairman

Ryan was elected to the board in 2021. He resides in Panhandle, Texas, and holds a Bachelor of Science degree in agricultural and applied economics from Texas Tech University where he graduated cum laude in 2012. Ryan married his wife, Lauren, in September 2015 and they have one daughter, Reagan, and a little boy on the way! He started his operation in 2016, primarily producing cotton, sorghum, and corn, after years of working on local farms. Ryan's operation has since grown to include his brother.

"I bank with Plains Land Bank because they were willing to take a chance with me when I started farming and they truly care about our success. The thing I enjoy most about being on the board of directors is learning about the inner workings of Plains Land Bank and the Farm Credit System."

Lyle Miller

February 19, 1954 - November 23, 2022

Lyle was elected to the board in 2015. Lyle grew up in the Sandhills community outside of Floydada. He and his wife of 36 years, La Tresa, raised their family on the same farm where Lyle and his father before him were raised. Lyle graduated from Floydada High School before attending junior college and returning home to farm. He and La Tresa raised a son and two daughters and have four grandchildren. Lyle farmed full-time for 43 years and had ownership in a family-owned cotton gin. He primarily produced cotton and corn, along with a few small portions of wheat and sorghum.

"My passion is to be a good steward of the land God has provided me. Plains Land Bank has played a major role in that since 1986."
Lyle proudly served until November, 2022.

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REPORT OF MANAGEMENT

The financial statements of Plains Land Bank, FLCA (Association) are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Other financial information included in the annual report is consistent with that in the financial statements.

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

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

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

Kay Lynn McLaughlin, Chief Executive Officer
March 9, 2023

Randy D. Darnell, Chairman, Board of Directors
March 9, 2023

Brooke Alvis, VP of Finance
March 9, 2023

REPORT OF AUDIT COMMITTEE

The Audit Committee (Committee) is composed of the entire board of directors of Plains Land Bank, FLCA. In 2022, 16 committee meetings were held. The Committee oversees the scope of Plains Land Bank, FLCA's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Committee's approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on Plains Land Bank, FLCA's website. The Committee approved the appointment of PricewaterhouseCoopers LLP (PwC) for 2022.

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

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

The Committee discussed with PwC its independence from Plains Land Bank, FLCA. The Committee also reviewed the nonaudit services provided by PwC and concluded that these services were not incompatible with maintaining the independent accountant's independence. The Committee has discussed with management and PwC such other matters and received such assurances from them as the Committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the board of directors include the audited financial statements in Plains Land Bank, FLCA's Annual Report to Stockholders for the year ended December 31, 2022.

Audit Committee Members

Walter "Rusty" Henson, Chairman of the Audit Committee
Lea Stukey, CPA, Audit Committee Vice Chair – Financial Expert
Don James – Retired 2022
Daniel L. Krienke
Randy D. Darnell
Steve Rader
Dennis Babcock – Retired 2022
Jerrell K. Key
Lyle Miller – Deceased 2022
Mallory K. Vestal, Ph.D.
Ryan T. Berry
Michael S. Harrell
Dustin Babcock

March 9, 2023

PLAINS LAND BANK, FLCA

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

	2022	2021	2020	2019	2018
Balance Sheet Data					
Assets					
Cash	**$ 7**	$ 11	$ 13	$ 14	$ 2,796
Loans	**952,871**	871,650	792,907	709,190	629,153
Less: allowance for loan losses	**2,103**	2,376	2,964	2,074	1,934
Net loans	**950,768**	869,274	789,943	707,116	627,219
Investment in and receivable from the Farm Credit Bank of Texas	**20,364**	19,061	16,559	13,786	10,087
Other property owned, net	**-**	-	-	-	520
Other assets	**22,188**	18,961	16,357	15,593	15,086
Total assets	**$ 993,327**	$ 907,307	$ 822,872	$ 736,509	$ 655,708
Liabilities					
Obligations with maturities of one year or less	**$ 4,697**	$ 4,208	$ 2,828	$ 2,133	$ 1,966
Obligations with maturities greater than one year	**826,229**	753,570	680,124	602,884	529,131
Total liabilities	**$ 830,926**	$ 757,778	$ 682,952	$ 605,017	$ 531,097
Members' Equity					
Capital stock and participation certificates	**$ 2,267**	$ 2,189	$ 2,098	$ 2,086	$ 1,983
Unallocated retained earnings	**159,833**	147,232	137,695	129,258	122,334
Accumulated other comprehensive income (loss)	**301**	108	127	148	294
Total members' equity	**162,401**	149,529	139,920	131,492	124,611
Total liabilities and members' equity	**$ 993,327**	$ 907,307	$ 822,872	$ 736,509	$ 655,708
Statement of Income Data					
Net interest income	**$ 25,565**	$ 23,261	$ 20,729	$ 18,960	$ 17,238
(Provision for loan losses) or loan loss reversal	**153**	(166)	(1,081)	(328)	(25)
Income from the Farm Credit Bank of Texas	**6,081**	4,737	3,726	2,950	2,485
Other noninterest income	**366**	429	945	395	549
Noninterest expense	**(10,364)**	(9,926)	(7,350)	(6,853)	(6,125)
Net income	**$ 21,801**	$ 18,335	$ 16,969	$ 15,124	$ 14,122
Key Financial Ratios for the Year					
Return on average assets	**2.3%**	2.1%	2.2%	2.2%	2.2%
Return on average members' equity	**15.5%**	13.1%	13.7%	12.9%	12.8%
Net interest income as a percentage of average earning assets	**2.8%**	2.8%	2.8%	2.8%	2.9%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.1%	0.0%	0.0%	0.0%

PLAINS LAND BANK, FLCA

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

	2022	2021	2020	2019	2018
Key Financial Ratios at Year-End					
Members' equity as a percentage of total assets	**16.3%**	16.5%	17.0%	17.9%	19.0%
Debt as a percentage of members' equity	**511.6%**	506.8%	488.1%	460.1%	426.2%
Allowance for loan losses as a percentage of loans	**0.2%**	0.3%	0.4%	0.3%	0.3%
Common equity tier 1 ratio	**14.0%**	14.5%	14.9%	15.8%	16.8%
Tier 1 capital ratio	**14.0%**	14.5%	14.9%	15.8%	16.8%
Total capital ratio	**14.3%**	14.8%	15.2%	16.1%	17.1%
Permanent capital ratio	**14.1%**	14.5%	15.0%	15.9%	16.9%
Tier 1 leverage ratio	**14.2%**	14.7%	15.4%	16.3%	17.4%
UREE leverage ratio	**14.0%**	15.9%	16.5%	17.4%	18.5%
Net Income Distribution					
Patronage dividends:					
Cash	**9,200**	8,798	8,531	8,200	7,102

*Effective January 1, 2017, the new regulatory capital ratios were implemented by the Association. The Association's ratios remained well above the regulatory minimums, including the conservation and leverage buffers at December 31, 2022. For more information, see Note 10 in the accompanying financial statements, "Members Equity" included in this annual report.

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

The following commentary explains management's assessment of the principal aspects of the financial condition and results of operations of Plains Land Bank, FLCA, (Association) for the years ended December 31, 2022, 2021 and 2020, and should be read in conjunction with the accompanying financial statements. The accompanying financial statements were prepared under the oversight of the Association's Audit Committee.

Forward-Looking Information:

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

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

Significant Events:

In January 2023, a patronage of $10,500,000 was declared. This patronage is scheduled to be paid in March of 2023/April of 2023.

In January 2022, a patronage of $9,200,000 was declared. The patronage was subsequently paid in March of 2022.

In January 2021, a patronage of $8,800,000 was declared. This patronage was subsequently paid in March 2021 after an adjustment of $2,123.

In January 2020, a patronage of $8,500,000 was declared. The patronage was subsequently paid in March 2020. In March 2020 and April 2020, additional patronage amounts of $29,689 and $1,263, respectively, were declared and disbursed resulting in a total patronage of $8,530,952 for 2020.

See Note 10 to the financial statements, "Members' Equity," included in this annual report, for further information.

Patronage Refunds Received From FCBT:

In December 2022, the Association received a direct loan patronage of $4,923,265 from the Farm Credit Bank of Texas (Bank), representing 61 basis points on the average daily balance of the Association's direct loan with the Bank. During 2022, the Association received $418,648 in patronage payments from the Bank, based on the Association's stock investment in the Bank. Also, the Association received a capital markets patronage of $20,362 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program.

In December 2021, the Association received a direct loan patronage of $4,387,735 from the Bank, representing 60 basis points on the average daily balance of the Association's direct loan with the Bank. During 2021, the Association received $278,592 in patronage payments from the Bank, based on the Association's stock investment in the Bank. The Association also received a capital markets patronage of $21,185 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program. In addition, the Association also received a capitalized participation pool patronage of $49,635 from the Bank.

In December 2020, the Association received a direct loan patronage of $3,409,909 from the Bank, representing 53 basis points on the average daily balance of the Association's direct loan with the Bank. During 2020, the Association received $293,702 in patronage payments from the Bank, based on the Association's stock investment in the Bank. Also, the Association received a capital markets patronage of $21,961 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program.

For more than 100 years, the Association has continued to provide its members with quality financial services. The board of directors and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

Conditions in the Texas District:

Throughout the COVID-19 pandemic, the Bank continued to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit. Demand for Texas District associations' retail loans has been historically high, leading to elevated growth across the District for most of 2022. However, loan growth began to moderate in the latter part of 2022 due to the rising interest rate environment. Macroeconomic uncertainty, as well as ongoing supply chain disruptions and fluctuating commodity markets, are likely to lead to volatility in credit quality in future periods.

The Consumer Price Index for All Urban Consumers increased by 6.5 percent for the year ending December 2022, down from 7.0 percent for the same period in 2021 and from a peak of 9.1 percent reached in June 2022. The Federal Open Market Committee (FOMC) increased the target Federal funds rate by a total of 425 basis points in 2022, including four consecutive 75 basis-point increases in June, July, September and November. As of February 13, 2023, the range of the Federal funds target rate is 4.50 – 4.75 percent, including the latest 25 basis-point increase in early February 2023. According to public remarks, the FOMC continues to be strongly committed to returning inflation to its 2.0 percent long-run objective.

On January 26, the U.S. Bureau of Economic Analysis (BEA) released its advanced estimate of real gross domestic product (GDP) for the fourth quarter of 2022. After two consecutive quarters of negative growth during the first half of 2022, the U.S. economy expanded at annualized rates of 3.2 percent in the third quarter and 2.9 percent in the fourth quarter. The increase in the fourth quarter primarily reflected increases in inventory investment and consumer spending that were partly offset by a decrease in housing investment. According to the International Monetary Fund's latest World Economic Outlook released on January 30, 2023, U.S. real GDP growth is estimated to be 1.4 percent in 2023 and 1.0 percent in 2024. Within the Texas District, the BEA estimated that third quarter 2022 annualized real GDP growth rates ranged from a low of -0.7 percent in Mississippi to a high of 8.2 percent in Texas. Fourth quarter GDP growth rates per state are scheduled to be released on March 31, 2023.

The U.S. Bureau of Labor Statistics (BLS) indicated that the U.S. unemployment rate decreased month-over-month to 3.5 percent in December 2022 from 3.6 percent in November and down from 3.9 percent in December 2021. The U.S. unemployment rate declined slightly to 3.4 percent in January 2023. The December state unemployment rates in the Texas District ranged from a low of 2.8 percent in Alabama to a high of 4.0 percent in Mississippi.

The West Texas Intermediate (WTI) crude oil futures price (front-month) decreased during the fourth quarter of 2022 from an average of about $91 per barrel in the third quarter to an average of about $83 per barrel. In the February 2023 edition of the Short-Term Energy Outlook, the U.S. Energy Information Administration estimated that the monthly average WTI spot price would be about $78 per barrel in 2023 and nearly $72 per barrel in 2024.

In February 2023, the U.S. Department of Agriculture (USDA) released its updated farm income forecast. Nominal net farm income is expected to have set a record high at about $162.7 billion in calendar year 2022, up 15.5 percent year over year (YOY). However, farm income is forecasted to decrease by 15.9 percent in 2023. Total nominal production expenses are forecasted to continue increasing by 4.1 percent in 2023 to about $459.53 billion, after increasing by 18.5 percent in 2022. Interest expenses and livestock/poultry purchases are expected to increase in 2023, while spending on feed and fuel/oil is expected to decline YOY. Farm sector assets are forecasted to increase by 5.2 percent in 2023 due to expected increases in farm real estate assets. Similarly, equity is forecasted to increase by 5.0 percent in 2023. After improving in 2021 and 2022, the U.S. farm sector debt-to-asset ratio is estimated to sightly deteriorate YOY from 13.1 percent in 2022 to 13.2 percent in 2023.

According to USDA's February 2023 World Agricultural Supply and Demand Estimates (WASDE) report, average farm prices for corn, wheat and soybeans are projected to increase by about 11.7 percent, 18.0 percent and 7.5 percent, respectively, YOY during the 2022-23 marketing year, while the average farm price for upland cotton is projected to decline by 8.4 cents per pound, or 9.2 percent. Steer, broiler and turkey prices are estimated to have experienced double-digit increases in 2022, while barrow and gilt prices are estimated to have risen by an average of nearly 5.8 percent. Further increases in prices are projected for steers and turkeys in 2023, while broiler and barrow and gilt prices are projected to decline. USDA estimates that all-milk prices averaged nearly $25.6 per hundredweight in 2022, up about $7.0 per hundredweight, or 37.9 percent, compared to 2021. Milk prices are anticipated to moderate in 2023 but are projected to remain above $20.0 per hundredweight. Due to increased supply and reduced demand, lumber prices fell precipitously in 2022. Front-month random length lumber futures prices declined by about 67.0 percent YOY in

2022. Subsequently, lumber futures prices have continued to be historically volatile, increasing by nearly 37.0 percent in January 2023 before declining by more than 20.0 percent through the first half of February.

Lack of adequate precipitation and soil moisture was a concern for agricultural producers across several regions of the country during 2022, as the year was among the driest on record for many states, such as California, Nebraska, Nevada and Texas. However, drought conditions improved notably across the West due to above-average precipitation in January 2023. Recent rainfall across portions of the central U.S., including the Texas District, has brought short-term relief to some areas, but drought conditions have continued to persist through mid-February 2023.

Agricultural producers and processors were negatively affected by several factors in 2022, including volatile commodity prices, elevated production costs, geopolitical conflicts, economic uncertainty and weather-related challenges. However, the Association's loan portfolio remained resilient and well-supported by industry diversification and conservative advance rates. Additionally, a high percentage of the Association's borrowers primarily rely on non-farm sources of income to repay their loans.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable and prime-based interest rates. Loan maturities range from five to 30 years, with 15- to 20-year maturities comprising the majority of the mortgage loans. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

The composition of the Association's loan portfolio, including principal less funds held of $952,871,122, $871,649,828 and $792,907,347 as of December 31, 2022, 2021 and 2020, respectively, is described more fully in detailed tables in Note 3 to the financial statements, "Loans and Allowance for Loan Losses" included in this annual report.

Purchase and Sales of Loans:

During 2022, 2021 and 2020, the Association was participating in loans with other lenders. As of December 31, 2022, 2021 and 2020, these participations totaled $103,454,213, $97,996,077 and $105,748,200, or 10.9 percent, 11.2 percent and 13.3 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the District of $645,957, $683,532 and $719,683, or 0.1 percent, 0.1 percent and 0.1 percent of loans, respectively. The Association additionally purchased participations from outside of the Farm Credit System of $6,919,334, $7,348,534 and $1,752,553, or 0.7 percent, 0.8 percent and 0.2 percent of loans during 2022, 2021 and 2020, respectively. The Association has also sold participations of $36,077,741, $33,794,763 and $5,547,715 as of December 31, 2022, 2021 and 2020, respectively.

Risk Exposure:

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

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

	2022		2021		2020	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual	**$ 1,005,885**	**100.0%**	$ 2,115,427	100.0%	$ 1,416,452	100.0%
Total	**$ 1,005,885**	**100.0%**	$ 2,115,427	100.0%	$ 1,416,452	100.0%

At December 31, 2022, 2021 and 2020, loans that were considered impaired were $1,005,885, 2,115,427 and 1,416,452, representing 0.1 percent, 0.2 percent and 0.2 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net.

Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, the Association is not affected by any seasonal characteristics. The factors affecting the operations of the Association are the same factors that would affect any agricultural real estate lender.

Allowance for Loan Losses:

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

	2022	2021	2020
Allowance for loan losses	**$ 2,103,114**	$ 2,376,000	$ 2,963,862
Allowance for loan losses to total loans	**0.2%**	0.3%	0.4%
Allowance for loan losses to nonaccrual loans	**209.1%**	112.3%	209.2%
Allowance for loan losses to impaired loans	**209.1%**	112.3%	209.2%
Net charge-offs to average loans	**0.0%**	0.1%	0.0%

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

Based upon ongoing risk assessment and the allowance for loan losses procedures outlined above, the allowance for loan losses of \$2,103,114, \$2,376,000 and \$2,963,862 at December 31, 2022, 2021 and 2020, respectively, is considered adequate by management to compensate for inherent losses in the loan portfolio at such dates. Allowance coverage is adequate due to the Association's allowance methodology, historical losses, and first lien real estate.

Results of Operations:

The Association's net income for the year ended December 31, 2022, was $21,801,417, as compared to $18,334,698 for the year ended December 31, 2021, reflecting an increase of $3,466,719, or 18.9 percent. The Association's net income for the year ended December 31, 2020 was $16,968,546 reflecting an increase of $1,366,152, or 8.1 percent, in 2021 versus 2020.

Net interest income for 2022, 2021 and 2020 was $25,565,059, $23,260,996 and $20,728,680, respectively, reflecting increases of $2,304,063, or 9.9 percent, for 2022 versus 2021 and $2,532,316, or 12.2 percent, for 2021 versus 2020. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2022		2021		2020	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 923,159,209**	**$ 46,230,625**	$ 843,023,595	$ 39,245,690	$ 747,691,334	$ 37,485,932
Interest-bearing liabilities	**801,719,414**	**20,665,566**	727,540,518	15,984,694	639,614,595	16,757,252
Impact of capital	**$ 121,439,795**		$ 115,483,077		$ 108,076,739	
Net interest income		**$ 25,565,059**		$ 23,260,996		$ 20,728,680

	2022 Average Yield	2021 Average Yield	2020 Average Yield
Yield on loans	**5.01%**	4.66%	5.01%
Cost of interest-bearing liabilities	**2.58%**	2.20%	2.62%
Interest rate spread	**2.43%**	2.46%	2.39%

	2022 vs. 2021			2021 vs. 2020		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ 3,730,553**	**$ 3,254,382**	**$ 6,984,935**	$ 4,779,578	$ (3,019,820)	$ 1,759,758
Interest expense	**1,629,785**	**3,051,087**	**4,680,872**	2,303,571	(3,076,129)	(772,558)
Net interest income	**$ 2,100,768**	**$ 203,295**	**$ 2,304,063**	$ 2,476,007	$ 56,309	$ 2,532,316

Interest income for 2022 increased by $6,984,935, or 17.8 percent, compared to 2021, primarily due to an increase an average loan volume and an increase in interest rates. Interest expense for 2022 increased by $4,680,872, or 29.3 percent, compared to 2021 due to an increase in average loan volume and an increase in interest rates. The interest rate spread decreased by 3 basis points to 2.43 percent in 2022 from 2.46 percent in 2021, primarily because of an increase in cost of funds. The interest rate spread increased by 7 basis points to 2.46 percent in 2021 from 2.39 percent in 2020, primarily because of a decrease on the cost of funds.

Noninterest income for 2022 increased by $1,196,206, or 22.8 percent, compared to 2021, due primarily to an increase in Bank patronage. Noninterest income for 2021 increased by $580,085, or 12.4 percent, compared to 2020, due primarily to an increase in Bank patronage.

Provisions for loan losses decreased by $319,111, or 192.5 percent, compared to 2021, due primarily to a reduction in specific allowance.

Operating expenses consist primarily of salaries, employee benefits and purchased services. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others. In 2022, operating expenses increased $352,661, or 3.5 percent, compared to 2021 primarily due to an increase in purchased services of $166,644 and an increase in Insurance Fund premiums of $426,309. The $426,309 increase in premiums to the Insurance Fund was due to an increase in the premium rates from 16 basis points in 2021 to 20 basis points in 2022. In 2021, operating expenses increased $2,661,087, or 36.2 percent, compared to 2020 primarily due to an increase in salaries of $1,934,513 and an increase in Insurance Fund premiums of $540,405.

For the year ended December 31, 2022, the Association's return on average assets was 2.3 percent, as compared to 2.1 percent and 2.2 percent for the years ended December 31, 2021 and 2020, respectively. For the year ended December 31, 2022, the Association's return on average members' equity was 15.5 percent, as compared to 13.1 percent and 13.7 percent for the years ended December 31, 2021 and 2020, respectively.

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

Liquidity and Funding Sources:

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

The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $823,977,823, $752,201,210 and $678,846,912 as of December 31, 2022, 2021 and 2020, respectively, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 2.6 percent, 2.5 percent and 2.4 percent at December 31, 2022, 2021 and 2020, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a general financing agreement (GFA). The increase in note payable to the Bank and related accrued interest payable since December 31, 2021, is due to an increase in the Association's assets since the prior year. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $128,758,013, $119,360,192 and $113,821,545 at December 31, 2022, 2021 and 2020, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2022, was $969,260,443 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2023, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

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

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

Capital Resources:

The Association's capital position remains strong, with total members' equity of $162,401,647, $149,528,989 and $139,920,761 at December 31, 2022, 2021 and 2020, respectively.

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-weighted assets as defined by the FCA. The permanent capital ratio measures available at-risk capital relative to risk-weighted assets and off-balance-sheet contingencies. The ratio is an indicator of the Association's financial capacity to absorb potential losses beyond that provided in the allowance for loss accounts. The Association's permanent capital ratio at December 31, 2022, 2021 and 2020 was 14.1 percent, 14.5 percent and 15.0 percent, respectively

The Association is also required to maintain minimum common equity Tier 1 (CET1), Tier 1 capital, and total capital ratios of 4.5 percent, 6.0 percent and 8.0 percent, respectively, along with a capital conservation buffer of 2.5 percent applicable to each ratio. The 2.5 percent capital conservation buffer was phased in over a three-year period ending on December 31, 2019. The Association's common equity Tier 1 ratio was 14.0 percent, Tier 1 capital ratio was 14.0 percent and total capital ratio was 14.3 percent at December 31, 2022. Further, the Association is required to maintain a minimum Tier 1 leverage ratio of 4.0 percent, along with a leverage buffer of 1.0 percent and a minimum unallocated retained earnings equivalents (UREE) leverage ratio of 1.5 percent. The Association's Tier 1 leverage ratio was 14.2 percent and UREE leverage ratio was 14.0 percent at December 31, 2022.

The CET1 capital ratio is an indicator of the Association's highest quality of capital and consists of unallocated retained earnings, qualifying common cooperative equities (CCEs) that meet the required holding periods and paid-in capital. The Tier 1 capital ratio is a measure of the Association's quality of capital and financial strength. The total capital ratio is supplementary to the Tier 1 capital ratio, the components of which include qualifying CCEs subject to certain holding periods, third-party capital subject to certain holding periods, and limitations and allowance and reserve for credit losses subject to certain limitations. The Tier 1 leverage ratio is used to measure the amount of leverage an association has incurred against its capital base, of which at least 1.5 percent must be unallocated retained earnings (URE) and URE equivalents.

Significant Recent Accounting Pronouncements:

The Association adopted the Financial Accounting Standards Board (FASB) guidance titled "Measurement of Credit Losses on Financial Instruments" on January 1, 2023. This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. The guidance requires management to consider in its estimate of allowance for credit losses (ACL) relevant historical events, current conditions and reasonable and supportable forecasts that affect the collectability of the assets. Prior to the adoption, the allowance for loan losses represented management's estimate of the probable credit losses inherent in its loan portfolio and certain unfunded commitments. In addition, the guidance amends existing impairment guidance for held-to-maturity and available-for-sale investments to incorporate an allowance, which will allow for the reversal of credit impairments in the event that the credit of an issuer improves. The adoption of this guidance resulted in a net increase in the Association's allowance for credit losses of approximately $255,000 and a corresponding decrease in retained earnings.

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

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

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which provides relief from certain requirements under GAAP, was signed into law. Section 4013 of the CARES Act gives entities temporary relief from the accounting and disclosure requirements for TDRs and if certain criteria are met these loan modifications may not need to be classified as TDRs. System entities have adopted this relief for qualifying loan modifications. In response to the CARES Act, the Farm Credit Administration issued guidance allowing for temporary relief from accounting and disclosure requirements for TDRs. This TDR guidance applied to modifications made beginning March 1, 2020 and terminated on December 31, 2020.

In March 2020, the FASB issued guidance titled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Reference Rate Reform)." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform to ease the potential burden related to reference rate reform (transition away from the London Inter-Bank Offered Rate (LIBOR)). The optional amendments are effective as of March 12, 2020 through December 31, 2022.

Regulatory Matters:

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

On January 5, 2021, the FCA posted an informational memorandum providing guidance to the Farm Credit System on managing challenges associated with COVID-19. The informational memorandum provided supplements on flood insurance requirements, consumer financial protection, and electronic delivery of borrower rights notices. On January 12, 2021, the FCA posted a supplement to its January 5, 2021, informational memorandum, which provided updated guidance to Farm Credit System associations on issues related to COVID-19. The supplement covers regulatory capital requirements for Paycheck Protection Program loans. On January 28, 2021, the FCA posted a supplement to its January 5, 2021, informational memorandum, which provided updated guidance to Farm Credit System associations on issues related to COVID-19. The supplement discusses matters related to association annual meetings and elections during the 2021 calendar year.

On February 5, 2021, the FCA posted an informational memorandum on maintaining and using stockholder lists. The informational memorandum provides associations with guidance on maintaining the lists and using them to establish who should receive voting and financial information.

On June 30, 2021, the FCA posted an advance notice of proposed rulemaking to seek public comments on how to amend or restructure bank liquidity regulations. The FCA is considering whether to amend the existing liquidity regulatory framework so banks can better withstand crises that adversely impact liquidity. The comment period ended on November 27, 2021.

On August 26, 2021, the FCA published a proposed rule in the Federal Register on defining and establishing risk-weightings for high-volatility commercial real estate (HVCRE) exposures. The comment period ended on January 24, 2022.

On September 9, 2021, the FCA adopted a final rule on the tier 1/tier 2 capital framework. The rule clarifies the regulations, simplifies certain requirements, and changes the lending and leasing limit base calculation to be computed using total capital instead of permanent capital. It also codifies guidance provided in FCA Bookletter 068. On October 1, 2021, the FCA published the final rule on the tier 1/tier 2 capital framework in the Federal Register. The final rule became effective on January 1, 2022.

On December 8, 2021, the FCA posted an informational memorandum on managing the LIBOR transition. The informational memorandum provides associations with guidance on the transition away from LIBOR, clarifies the meaning of new LIBOR contracts, and provides guidance on using alternative reference rates.

Relationship With the Bank:

The Association's statutory obligation to borrow only from the Bank is discussed in Note 9 to the financial statements, "Note Payable to the Bank," included in this annual report.

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

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis and in Note 9 to the financial statements, "Note Payable to the Bank," included in this annual report.

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

Summary:

Over the past 100 years, regardless of the state of the agricultural economy, your Association's board of directors and management, as well as the board of directors and management of the Bank, have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this Association.

Report of Independent Auditors

To the Board of Directors of Plains Land Bank, FLCA

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Other Information

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

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

PricewaterhouseCoopers LLP

Austin, Texas
March 9, 2023

PLAINS LAND BANK, FLCA

BALANCE SHEET

	December 31, 2022	December 31, 2021	December 31, 2020
Assets			
Cash	**$ 7,026**	$ 11,310	$ 13,104
Loans	**952,871,122**	871,649,828	792,907,347
Less: allowance for loan losses	**2,103,114**	2,376,000	2,963,862
Net loans	**950,768,008**	869,273,828	789,943,485
Accrued interest receivable	**19,264,965**	15,537,365	13,299,322
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**17,906,140**	16,600,480	12,664,660
Other	**2,457,569**	2,460,717	3,894,059
Premises and equipment	**2,424,353**	2,674,324	2,570,269
Other assets	**499,174**	749,033	487,315
Total assets	**$ 993,327,235**	$ 907,307,057	$ 822,872,214
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 823,977,823**	$ 752,201,210	$ 678,846,912
Accrued interest payable	**2,250,424**	1,368,353	1,276,985
Drafts outstanding	**288,319**	200,915	254,464
Other liabilities	**4,409,022**	4,007,590	2,573,092
Total liabilities	**830,925,588**	757,778,068	682,951,453
Members' Equity			
Capital stock and participation certificates	**2,267,000**	2,188,585	2,098,280
Unallocated retained earnings	**159,833,480**	147,232,063	137,695,231
Accumulated other comprehensive income	**301,167**	108,341	127,250
Total members' equity	**162,401,647**	149,528,989	139,920,761
Total liabilities and members' equity	**$ 993,327,235**	$ 907,307,057	$ 822,872,214

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

PLAINS LAND BANK, FLCA

STATEMENT OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2022	2021	2020
Interest Income			
Loans	**$ 46,230,625**	$ 39,245,690	$ 37,485,932
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**20,665,566**	15,984,694	16,757,252
Net interest income	**25,565,059**	23,260,996	20,728,680
(Provision Reversal)			
Provision for Loan Losses	**(153,317)**	165,794	1,080,632
Net interest income after provision for losses	**25,718,376**	23,095,202	19,648,048
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**6,081,043**	4,737,147	3,725,572
Loan fees	**142,138**	394,632	716,093
Financially related services income	**8,809**	8,157	7,154
Gain on sale of premises and equipment, net	**144,234**	49,838	11,729
Other noninterest income	**70,982**	61,226	210,367
Total noninterest income	**6,447,206**	5,251,000	4,670,915
Noninterest Expenses			
Salaries and employee benefits	**5,451,681**	5,966,484	4,031,971
Directors' expense	**325,511**	226,509	177,744
Purchased services	**794,147**	627,503	651,081
Travel	**190,953**	200,820	169,650
Occupancy and equipment	**567,062**	577,756	511,638
Communications	**111,483**	98,470	91,503
Advertising	**394,639**	322,936	377,943
Public and member relations	**236,201**	221,558	239,876
Supervisory and exam expense	**325,379**	290,160	266,445
Insurance Fund premiums	**1,592,023**	1,165,714	625,309
Loss on other property owned	**-**	85,238	54,946
Other noninterest expense	**375,086**	228,356	152,311
Total noninterest expenses	**10,364,165**	10,011,504	7,350,417
NET INCOME	**21,801,417**	18,334,698	16,968,546
Other comprehensive income:			
Change in postretirement benefit plans	**192,826**	(18,909)	(20,579)
COMPREHENSIVE INCOME	**$ 21,994,243**	$ 18,315,789	$ 16,947,967

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

PLAINS LAND BANK, FLCA

STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2019	$ 2,086,145	$ 129,257,637	$ 147,829	$ 131,491,611
Comprehensive income	-	16,968,546	(20,579)	16,947,967
Capital stock/participation certificates issued	355,430	-	-	355,430
Capital stock/participation certificates and allocated retained earnings retired	(343,295)	-	-	(343,295)
Patronage cash dividends	-	(8,530,952)	-	(8,530,952)
Balance at December 31, 2020	2,098,280	137,695,231	127,250	139,920,761
Comprehensive income	-	18,334,698	(18,909)	18,315,789
Capital stock/participation certificates issued	378,780	-	-	378,780
Capital stock/participation certificates and allocated retained earnings retired	(288,475)	-	-	(288,475)
Patronage cash dividends	-	(8,797,866)	-	(8,797,866)
Balance at December 31, 2021	2,188,585	147,232,063	108,341	149,528,989
Comprehensive income	-	21,801,417	192,826	21,994,243
Capital stock/participation certificates issued	339,680	-	-	339,680
Capital stock/participation certificates and allocated retained earnings retired	(261,265)	-	-	(261,265)
Patronage cash dividends	-	(9,200,000)	-	(9,200,000)
Balance at December 31, 2022	**$ 2,267,000**	**$ 159,833,480**	**$ 301,167**	**$ 162,401,647**

See Note 10 for information on effective stock dividend.

PLAINS LAND BANK, FLCA

STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2022	2021	2020
Cash flows from operating activities:			
Net income	**$ 21,801,417**	$ 18,334,698	$ 16,968,546
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses (loan loss reversal)	**(153,317)**	165,794	1,080,632
Loss on sale of other property owned, net	**-**	151,135	40,649
Depreciation	**335,574**	351,412	349,594
Gain on sales of premises and equipment, net	**(15,483)**	(49,838)	(11,729)
Gain on sales of lease assets	**(119,306)**	-	-
Increase in accrued interest receivable	**(3,727,600)**	(2,238,043)	(645,236)
Decrease (increase) in other receivables from the Farm Credit Bank of Texas	**3,148**	1,433,342	(1,336,398)
Decrease (increase) in other assets	**62,199**	(232,509)	(321,382)
Increase (decrease) in accrued interest payable	**882,071**	91,368	(306,206)
Increase in other liabilities	**496,376**	1,420,890	402,687
Net cash provided by operating activities	**19,565,079**	19,428,249	16,221,157
Cash flows from investing activities:			
Increase in loans, net	**(81,318,385)**	(80,177,621)	(85,617,506)
Cash recoveries of loans previously charged off	**-**	1,084	-
Proceeds from purchase of investment in the Farm Credit Bank of Texas	**(1,305,660)**	(3,935,820)	(1,436,255)
Purchases of premises and equipment	**(206,578)**	(2,055,585)	(286,645)
Proceeds from sales of premises and equipment	**136,458**	1,649,956	152,120
Proceeds from sales of lease assets	**382,370**	494,755	1,701,107
Net cash used in investing activities	**(82,311,795)**	(84,023,231)	(85,487,179)

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

PLAINS LAND BANK, FLCA

STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2022	2021	2020
Cash flows from financing activities:			
Net draws on note payable to the Farm Credit Bank of Texas	**71,776,613**	73,354,298	77,545,715
Increase (decrease) in drafts outstanding	**87,404**	(53,549)	238,511
Issuance of capital stock and participation certificates	**339,680**	378,780	355,430
Retirement of capital stock and participation certificates	**(261,265)**	(288,475)	(343,295)
Patronage distributions paid	**(9,200,000)**	(8,797,866)	(8,530,952)
Net cash provided by financing activities	**62,742,432**	64,593,188	69,265,409
Net decrease in cash	**(4,284)**	(1,794)	(613)
Cash at the beginning of the year	**11,310**	13,104	13,717
Cash at the end of the year	**$ 7,026**	$ 11,310	$ 13,104
Supplemental schedule of noncash investing and financing activities:			
Loans transferred to other property owned	**$ -**	$ 645,890	$ 1,741,756
Loans charged off	**97,091**	789,250	158,301
Patronage distributions paid	**9,200,000**	8,797,866	8,530,952
Transfer of allowance for loan losses from (into) reserve for unfunded commitments	**(22,478)**	-	-
Supplemental cash information:			
Cash paid during the year for:			
Interest	**$ 19,783,495**	$ 15,893,326	$ 17,063,458

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

PLAINS LAND BANK, FLCA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Plains Land Bank, FLCA ("the Association"), is a member-owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in the counties of Armstrong, Briscoe, Carson, Floyd, Gray, Hale, southwest portion of Hall, Hansford, Hemphill, Hutchinson, Lipscomb, Motley, Ochiltree, Oldham, Potter, Randall and Roberts in the state of Texas.

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

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

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

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

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

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

The Association also serves as an intermediary in offering credit life insurance.

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

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation and Consolidation

The financial statements of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

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

The accounting and reporting policies of the Association conform to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results could differ from those estimates.

A. Recently Issued or Adopted Accounting Pronouncements:

The Association adopted the Financial Accounting Standards Board (FASB) guidance titled "Measurement of Credit Losses on Financial Instruments" on January 1, 2023. This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. The guidance requires management to consider in its estimate of allowance for credit losses (ACL) relevant historical events, current conditions and reasonable and supportable forecasts that affect the collectability of the assets. Prior to the adoption, the allowance for loan losses represented management's estimate of the probable credit losses inherent in its loan portfolio and certain unfunded commitments. In addition, the guidance amends existing impairment guidance for held-to-maturity and available-for-sale investments to incorporate an allowance, which will allow for the reversal of credit impairments in the event that the credit of an issuer improves. The adoption of this guidance resulted in a net increase in the Association's allowance for credit losses of approximately $255,000 and a corresponding decrease in retained earnings.

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

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

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which provides relief from certain requirements under GAAP, was signed into law. Section 4013 of the CARES Act gives entities temporary relief from the accounting and disclosure requirements for TDRs and if certain criteria are met these loan modifications may not need to be classified as TDRs. System entities have adopted this relief for qualifying loan modifications. In response to the CARES Act, the Farm Credit Administration issued guidance allowing for temporary relief from accounting and disclosure requirements for TDRs. This TDR guidance applied to modifications made beginning March 1, 2020 and terminated on December 31, 2020.

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

B. Cash: Cash, as included in the financial statements, represents cash on hand and deposits at banks.

C. Loans and Allowance for Loan Losses: Long-term real estate mortgage loans generally have original maturities ranging from five to 30 years. Loans are carried at their principal amount outstanding adjusted for charge-offs and net deferred loan fees or costs. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. Authoritative accounting guidance requires loan origination fees and direct loan origination costs, if material, to be capitalized and the net fee or cost to be amortized over the life of the related loan as an adjustment to yield.

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

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

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

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

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

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

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

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

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

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

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

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

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

F. Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.

G. Advance Conditional Payments: The Association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying balance sheet. Advance conditional payments are not insured. Interest is generally paid by the Association on such accounts at rates established by the board of directors.

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

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

The structure of the District's DB plan is characterized as multi-employer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The Association recognized pension costs for the DC plan of $200,869, $164,825 and $140,850 for the years ended December 31, 2022, 2021 and 2020 respectively. For the DB plan, the Association recognized pension costs of $408,118, $449,286 and $239,534 for the years ended December 31, 2022, 2021 and 2020, respectively.

The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100 percent of employee contributions up to 3.0 percent of eligible earnings and to match 50 percent of employee contributions for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were $159,517, $146,353 and $120,761 for the years ended December 31, 2022, 2021 and 2020, respectively.

In addition to pension benefits, the Association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities on the balance sheet.

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

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

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

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

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities are considered Level 3. These unobservable inputs reflect the reporting association's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

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

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

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans as of December 31 follows:

	2022		2021		2020	
Loan Type	**Amount**	**%**	Amount	%	Amount	%
Real estate mortgage	**$ 837,434,250**	**87.9%**	$ 764,558,538	87.7%	$ 682,404,512	86.1%
Agribusiness:						
Processing and marketing	**35,189,049**	**3.7%**	42,726,479	4.9%	40,625,531	5.1%
Farm-related business	**16,627,960**	**1.7%**	10,328,964	1.2%	7,797,851	1.0%
Loans to cooperatives	**6,105,306**	**0.6%**	3,114,690	0.4%	7,071,752	0.9%
Rural residential real estate	**18,800,883**	**2.0%**	14,771,419	1.7%	12,148,303	1.5%
Energy	**14,200,148**	**1.5%**	15,679,977	1.8%	15,838,753	2.0%
Communication	**13,172,300**	**1.4%**	11,701,039	1.3%	13,568,681	1.7%
Production and intermediate-term	**6,637,358**	**0.7%**	5,222,308	0.6%	12,409,970	1.6%
Water and wastewater	**2,466,009**	**0.3%**	1,548,440	0.2%	1,041,994	0.1%
Agricultural export finance	**2,237,859**	**0.2%**	1,997,974	0.2%	-	0.0%
Total	**$ 952,871,122**	**100.0%**	$ 871,649,828	100.0%	$ 792,907,347	100.0%

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

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Agribusiness	$ 40,573,093	$ -	$ -	$ -	$ 40,573,093	$ -
Real estate mortgage	16,814,843	36,077,741	6,919,334	-	23,734,177	36,077,741
Energy	14,200,148	-	-	-	14,200,148	-
Communication	13,172,300	-	-	-	13,172,300	-
Production and intermediate-term	6,637,358	-	-	-	6,637,358	-
Water and wastewater	2,466,009	-	-	-	2,466,009	-
Agricultural export finance	2,237,859	-	-	-	2,237,859	-
Rural residential real estate	433,269	-	-	-	433,269	-
Total	$ 96,534,879	$ 36,077,741	$ 6,919,334	$ -	$103,454,213	$ 36,077,741

Geographic Distribution:

County	**2022**	2021	2020
Randall	**12.7%**	13.3%	12.8%
Carson	**9.8%**	9.2%	9.1%
Potter	**9.6%**	9.6%	9.5%
Hale	**6.7%**	7.7%	8.6%
Ochiltree	**5.2%**	5.3%	4.3%
Gray	**4.7%**	5.0%	5.1%
Hansford	**3.1%**	3.1%	3.0%
Lubbock	**2.5%**	2.0%	1.7%
Sherman	**2.4%**	2.7%	2.5%
Deaf Smith	**2.3%**	2.6%	1.4%
Moore	**2.3%**	1.9%	2.2%
Roberts	**2.0%**	1.2%	1.1%
Floyd	**1.8%**	2.1%	2.3%
Hutchinson	**1.7%**	1.8%	2.9%
Lipscomb	**1.5%**	1.7%	2.0%
Armstrong	**1.0%**	0.9%	1.1%
Other Counties	**15.6%**	15.2%	14.5%
Oklahoma	**4.6%**	4.3%	3.5%
Colorado	**1.6%**	1.7%	1.6%
Other States	**8.9%**	8.7%	10.8%
	100.0%	100.0%	100.0%

The Association's concentration of credit risk in various agricultural commodities is shown in the following table.

	2022		2021		2020	
Operation/Commodity	**Amount**	**%**	Amount	%	Amount	%
Cattle	**$ 348,268,560**	**36.5%**	$ 338,763,576	38.9%	$ 305,301,002	38.5%
Cotton	**214,851,114**	**22.5%**	169,631,599	19.5%	141,166,846	17.8%
Coarse Grains	**193,326,429**	**20.3%**	175,331,508	20.1%	157,031,655	19.8%
Wheat	**33,431,571**	**3.5%**	34,007,721	3.9%	34,456,461	4.3%
Rural home loans	**28,524,741**	**3.0%**	18,503,853	2.1%	13,355,650	1.7%
Electric Services	**14,391,372**	**1.5%**	15,874,258	1.8%	16,035,935	2.0%
Telecommunications	**13,172,300**	**1.4%**	11,701,039	1.3%	13,568,681	1.7%
Other	**106,905,035**	**11.3%**	107,836,274	12.4%	111,991,117	14.2%
Total	**$ 952,871,122**	**100.0%**	$ 871,649,828	100.0%	$ 792,907,347	100.0%

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

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

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. As of December 31, 2022, there were $18,150,455 of ACPs contained in funds held included on the balance sheet. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

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

	December 31, 2022	December 31, 2021	December 31, 2020
Nonaccrual loans:			
Energy	**$ 1,005,885**	$ 2,115,427	$ -
Agribusiness	**-**	-	1,416,452
Total nonperforming loans	**1,005,885**	2,115,427	1,416,452
Other property owned	**-**	-	-
Total nonperforming assets	**$ 1,005,885**	$ 2,115,427	$ 1,416,452

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

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

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

	2022	2021	2020
Real estate mortgage			
Acceptable	**99.5** %	98.7 %	97.3 %
OAEM	**-**	-	0.1
Substandard/doubtful	**0.5**	1.3	2.6
	100.0	100.0	100.0
Production and intermediate-term			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Loans to cooperatives			
Acceptable	**100.0**	100.0	80.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	20.0
	100.0	100.0	100.0
Processing and marketing			
Acceptable	**100.0**	100.0	96.6
OAEM	**-**	-	3.4
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Farm-related business			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Communication			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Energy			
Acceptable	**92.9**	86.5	93.4
OAEM	**-**	-	-
Substandard/doubtful	**7.1**	13.5	6.6
	100.0	100.0	100.0
Water and wastewater			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Rural residential real estate			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Agricultural export finance			
Acceptable	**100.0**	100.0	-
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	-
Total Loans			
Acceptable	**99.5**	98.7	97.2
OAEM	**-**	-	0.3
Substandard/doubtful	**0.5**	1.3	2.5
	100.0 %	100.0 %	100.0 %

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

December 31, 2022:	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or less than 30 Days Past Due**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 2,392,781**	**$ -**	**$ 2,392,781**	**$ 853,582,676**	**$ 855,975,457**	**$ -**
Processing and marketing	**-**	**-**	**-**	**35,429,252**	**35,429,252**	**-**
Rural residential real estate	**-**	**-**	**-**	**18,885,149**	**18,885,149**	**-**
Farm-related business	**-**	**-**	**-**	**16,735,924**	**16,735,924**	**-**
Energy	**-**	**957**	**957**	**14,352,033**	**14,352,990**	**-**
Communication	**-**	**-**	**-**	**13,209,305**	**13,209,305**	**-**
Production and intermediate-term	**-**	**-**	**-**	**6,678,123**	**6,678,123**	**-**
Loans to cooperatives	**-**	**-**	**-**	**6,136,340**	**6,136,340**	**-**
Water and wastewater	**-**	**-**	**-**	**2,469,552**	**2,469,552**	**-**
Agricultural export finance	**-**	**-**	**-**	**2,263,995**	**2,263,995**	**-**
Total	**$ 2,392,781**	**$ 957**	**$ 2,393,738**	**$ 969,742,349**	**$ 972,136,087**	**$ -**

December 31, 2021:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ -	$ -	$ -	$ 779,728,987	$ 779,728,987	$ -
Processing and marketing	-	-	-	42,969,467	42,969,467	-
Rural residential real estate	-	-	-	14,838,298	14,838,298	-
Farm-related business	-	-	-	10,348,836	10,348,836	-
Energy	-	1,248,898	1,248,898	14,446,466	15,695,364	-
Communication	-	-	-	11,701,663	11,701,663	-
Production and intermediate-term	-	-	-	5,233,974	5,233,974	-
Loans to cooperatives	-	-	-	3,120,054	3,120,054	-
Water and wastewater	-	-	-	1,549,135	1,549,135	-
Agricultural export finance	-	-	-	2,001,415	2,001,415	-
Total	$ -	$ 1,248,898	$ 1,248,898	$ 885,938,295	$ 887,187,193	$ -

December 31, 2020:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 5,257,354	$ -	$ 5,257,354	$ 689,901,263	$ 695,158,617	$ -
Processing and marketing	-	-	-	41,047,028	41,047,028	-
Rural residential real estate	-	-	-	12,204,475	12,204,475	-
Farm-related business	-	-	-	7,803,077	7,803,077	-
Energy	-	-	-	15,857,241	15,857,241	-
Communication	-	-	-	13,569,431	13,569,431	-
Production and intermediate-term	-	-	-	12,451,155	12,451,155	-
Loans to cooperatives	-	-	-	7,073,589	7,073,589	-
Water and wastewater	-	-	-	1,042,056	1,042,056	-
Agricultural export finance	-	-	-	-	-	-
Total	$ 5,257,354	$ -	$ 5,257,354	$ 800,949,315	$ 806,206,669	$ -

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 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.

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). Charge-offs recorded at the modification date were $97,091 for the year ending December 31, 2022.

The predominant form of concession granted for troubled debt restructuring includes concessions. 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 assesses all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

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

	Loans Modified as TDRs		
	December 31, 2022	December 31, 2021	December 31, 2020
Troubled debt restructurings:			
Energy	**$ 337,706**	$ -	$ -
Total	**$ 337,706**	$ -	$ -

	TDRs in Nonaccrual Status*		
	December 31, 2022	December 31, 2021	December 31, 2020
Troubled debt restructurings:			
Energy	**$ 337,706**	$ -	$ -
Total	**$ 337,706**	$ -	$ -

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

Additional impaired loan information is as follows:

	Recorded Investment at 12/31/2022	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Energy and water/wastewater	$ 1,005,885	$ 1,103,338	$ 245,742	$ 2,046,501	$ -
Loans to cooperatives	-	-	-	-	-
Total	$ 1,005,885	$ 1,103,338	$ 245,742	$ 2,046,501	$ -
Impaired loans with no related allowance for credit losses:					
Energy and water/wastewater	$ -	$ -	$ -	$ -	$ -
Loans to cooperatives	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -
Total impaired loans:					
Energy and water/wastewater	$ 1,005,885	$ 1,103,338	$ 245,742	$ 2,046,501	$ -
Loans to cooperatives	-	-	-	-	-
Total	$ 1,005,885	$ 1,103,338	$ 245,742	$ 2,046,501	$ -

	Recorded Investment at 12/31/2021	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Energy and water/wastewater	$ 2,115,427	$ 2,116,466	$ 439,684	$ 1,627,941	$ 2,214
Loans to cooperatives	-	-	-	-	-
Total	$ 2,115,427	$ 2,116,466	$ 439,684	$ 1,627,941	$ 2,214
Impaired loans with no related allowance for credit losses:					
Energy and water/wastewater	$ -	$ -	$ -	$ -	$ -
Loans to cooperatives	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -
Total impaired loans:					
Energy and water/wastewater	$ 2,115,427	$ 2,116,466	$ 439,684	$ 1,627,941	$ 2,214
Loans to cooperatives	-	-	-	-	-
Total	$ 2,115,427	$ 2,116,466	$ 439,684	$ 1,627,941	$ 2,214

	Recorded Investment at 12/31/2020	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Energy and water/wastewater	$ -	$ -	$ -	$ -	$ -
Loans to cooperatives	1,416,452	1,537,644	75,100	487,631	55,517
Total	$ 1,416,452	$ 1,537,644	$ 75,100	$ 487,631	$ 55,517
Impaired loans with no related allowance for credit losses:					
Energy and water/wastewater	$ -	$ -	$ -	$ -	$ -
Loans to cooperatives	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -
Total impaired loans:					
Energy and water/wastewater	$ -	$ -	$ -	$ -	$ -
Loans to cooperatives	1,416,452	1,537,644	75,100	487,631	55,517
Total	$ 1,416,452	$ 1,537,644	$ 75,100	$ 487,631	$ 55,517

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

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

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

	2022	2021	2020
Interest income which would have been recognized under the original terms	**$ 97,103**	$ 5,753	$ 6,753
Less: interest income recognized	**-**	-	-
Foregone interest income	**$ 97,103**	$ 5,753	$ 6,753

The increase in foregone interest for 2022 relates to one large energy relationship on nonaccrual for the entire year and increasing interest rates.

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

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy and Water and Wastewater	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses:								
Balance at December 31, 2021	$ 1,666,611	$ 13,512	$ 187,515	$ 21,384	$ 455,827	$ 25,857	$ 5,294	$ 2,376,000
Charge-offs	-	-	-	-	(97,091)	-	-	(97,091)
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	(134,222)	4,144	71,183	140	(100,292)	7,786	(2,056)	(153,317)
Other	(3,111)	1,750	(21,194)	-	2,104	(2,027)	-	(22,478)
Balance at December 31, 2022	$ 1,529,278	$ 19,406	$ 237,504	$ 21,524	$ 260,548	$ 31,616	$ 3,238	$ 2,103,114
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 245,742	$ -	$ -	$ 245,742
Ending Balance: collectively evaluated for impairment	$ 1,529,278	$ 19,406	$ 237,504	$ 21,524	$ 14,806	$ 31,616	$ 3,238	$ 1,857,372
Recorded Investment in Loans Outstanding:								
Ending Balance at December 31, 2022	$ 855,975,457	$ 6,678,123	$ 58,301,516	$ 13,209,305	$ 16,822,542	$ 18,885,149	$ 2,263,995	$ 972,136,087
Ending balance for loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 1,005,885	$ -	$ -	$ 1,005,885
Ending balance for loans collectively evaluated for impairment	$ 855,975,457	$ 6,678,123	$ 58,301,516	$ 13,209,305	$ 15,816,657	$ 18,885,149	$ 2,263,995	$ 971,130,202

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy and Water and Wastewater	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses:								
Balance at December 31, 2020	$ 2,240,849	$ 38,077	$ 369,848	$ 28,759	$ 255,256	$ 31,073	$ -	$ 2,963,862
Charge-offs	-	-	(789,250)	-	-	-	-	(789,250)
Recoveries	1,084	-	-	-	-	-	-	1,084
Provision for loan losses	(575,679)	(28,552)	571,119	(7,375)	204,414	(3,427)	5,294	165,794
Other	357	3,987	35,798	-	(3,843)	(1,789)	-	34,510
Balance at December 31, 2021	$ 1,666,611	$ 13,512	$ 187,515	$ 21,384	$ 455,827	$ 25,857	$ 5,294	$ 2,376,000
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 439,684	$ -	$ -	$ 439,684
Ending Balance: collectively evaluated for impairment	$ 1,666,611	$ 13,512	$ 187,515	$ 21,384	$ 16,143	$ 25,857	$ 5,294	$ 1,936,316
Recorded Investment in Loans Outstanding:								
Ending Balance at December 31, 2021	$ 779,728,987	$ 5,233,974	$ 56,438,357	$ 11,701,663	$ 17,244,499	$ 14,838,298	$ 2,001,415	$ 887,187,193
Ending balance for loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 2,115,427	$ -	$ -	$ 2,115,427
Ending balance for loans collectively evaluated for impairment	$ 779,728,987	$ 5,233,974	$ 56,438,357	$ 11,701,663	$ 15,129,072	$ 14,838,298	$ 2,001,415	$ 885,071,766

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy and Water and Wastewater	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses:								
Balance at December 31, 2019	$ 1,698,408	$ 15,516	$ 256,667	$ 22,189	$ 58,021	$ 23,512	$ -	$ 2,074,313
Charge-offs	(37,109)	-	(121,193)	-	-	-	-	(158,302)
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	580,108	27,068	266,594	6,570	192,731	7,561	-	1,080,632
Other	(558)	(4,507)	(32,220)	-	4,504	-	-	(32,781)
Balance at December 31, 2020	$ 2,240,849	$ 38,077	$ 369,848	$ 28,759	$ 255,256	$ 31,073	$ -	$ 2,963,862
Ending Balance: individually evaluated for impairment	$ -	$ -	$ 75,100	$ -	$ -	$ -	$ -	$ 75,100
Ending Balance: collectively evaluated for impairment	$ 2,240,849	$ 38,077	$ 294,748	$ 28,759	$ 255,256	$ 31,073	$ -	$ 2,888,762
Recorded Investment in Loans Outstanding:								
Ending Balance at December 31, 2020	$ 695,158,617	$ 12,451,155	$ 55,923,694	$ 13,569,431	$ 16,899,297	$ 12,204,475	$ -	$ 806,206,669
Ending balance for loans individually evaluated for impairment	$ -	$ -	$ 1,416,452	$ -	$ -	$ -	$ -	$ 1,416,452
Ending balance for loans collectively evaluated for impairment	$ 695,158,617	$ 12,451,155	$ 54,507,242	$ 13,569,431	$ 16,899,297	$ 12,204,475	$ -	$ 804,790,217

NOTE 4 — LEASES

The Association leases an office space in Amarillo, Texas, as well as three billboards in Pampa, Texas, Canyon, Texas and Canadian, Texas. Lease expense was $94,137, $79,660 and $32,442 for 2022, 2021 and 2020, respectively.

The components of lease expense were as follows:

	For the Year Ended	
	December 31, 2022	December 31, 2021
Operating lease cost	**$ 91,280**	$ 78,195
Net lease cost	**$ 91,280**	$ 78,195

Other information related to leases was as follows:

	For the Year Ended	
	December 31, 2022	December 31, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	**$ 94,137**	$ 79,660
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	**$ 185,281**	$ 260,685

Lease term and discount rate are as follows:

	December 31, 2022	December 31, 2021
Weighted average remaining lease term in years		
Operating leases	**2.23**	3.21
Weighted average discount rate		
Operating leases	**2.46%**	2.43%

Future minimum lease payments under non-cancellable leases as of December 31, 2022, were as follows:

		Total
2023	$	91,158
2024		82,990
2025		27,846
2026		-
Thereafter		-
Total lease payments	$	201,994
Less: interest		5,393
Total	$	196,601

During the first quarter of 2021, the Association also entered into a sales-type lease agreement in which the Association was the lessor. At the termination of the lease, the Association had the right to grant the lessee the option to purchase the property, which was valued at $318,059 at the inception of the lease. This lease has since termed as of April 30, 2022 and the property was purchased by the lessee.

Other information related to sales-type leases was as follows:

	December 31, 2022		December 31, 2021	
Interest income	**$**	**2,285**	$	5,661
Cash received for amounts included in the measurement of leased assets	**$**	**20,000**	$	47,630

The property was carried at cost less accumulated depreciation. Depreciation is provided on the straight-line method using the estimated useful life of the asset. Any maintenance and repairs were charged to operating expense, and improvements were capitalized. At the date of sale, the Association recognized a gain of $119,306, reflected in current operations.

NOTE 5 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS

The investment in the Farm Credit Bank of Texas is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying balance sheet. Estimating the fair value of the Association's investment in the Farm Credit Bank of Texas is not practicable because the stock is not traded. The Association owned 3.80 percent, 4.05 percent and 3.52 percent of the issued stock of the Bank as of December 31, 2022, 2021 and 2020. As of those dates, the Bank's assets totaled $35.99 billion, $33.09 billion and $28.23 billion and members' equity totaled $1.62 billion, $2.00 billion and $1.99 billion. The Bank's earnings were $269.9 million, $254.6 million and $251.1 million during 2022, 2021 and 2020.

NOTE 6 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

		2022		2021		2020
Building and improvements	**$**	**3,017,308**	$	3,016,768	$	2,866,312
Automobiles		**582,150**		570,671		564,167
Land and improvements		**556,177**		550,886		516,309
Furniture and equipment		**293,433**		283,263		269,718
Computer equipment and software		**195,198**		165,957		177,991
		4,644,266		4,587,545		4,394,497
Accumulated depreciation		**(2,219,913)**		(1,913,221)		(1,824,228)
Total	**$**	**2,424,353**	$	2,674,324	$	2,570,269

The Association owns office space in the cities of Amarillo, Pampa, Perryton and Plainview in the state of Texas.

NOTE 7 — OTHER PROPERTY OWNED, NET:

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

	2022	2021	2020
Loss on sale, net	**$ -**	$ (151,135)	$ (40,649)
Operating income (expense), net	**-**	65,897	(14,297)
Net loss on other property owned	**$ -**	$ (85,238)	$ (54,946)

NOTE 8 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2022	2021	2020
Accounts receivable, net	**$ 235,718**	$ 488,175	$ 197,363
Right of use asset	**185,281**	260,685	289,894
Other	**78,175**	173	58
Total	**$ 499,174**	$ 749,033	$ 487,315

Other liabilities comprised the following at December 31:

	2022	2021	2020
Insurance premium payable	**$ 1,521,702**	$ 1,105,837	$ 579,113
Accounts payable, net	**1,343,958**	1,038,010	81,104
Postretirement benefits liability	**968,493**	1,183,739	1,180,774
Accrued leave	**252,291**	252,088	188,255
Lease liability	**198,031**	276,292	306,967
Other	**124,547**	151,624	236,879
Total	**$ 4,409,022**	$ 4,007,590	$ 2,573,092

NOTE 9 — NOTE PAYABLE TO THE BANK:

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

The total amount and the weighted average interest rate of the Association’s direct loan from the Bank at December 31, 2022, 2021 and 2020, was $823,977,823 at 2.6 percent, $752,201,210 at 2.5 percent and $678,846,912 at 2.4 percent, respectively.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association’s ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2022, 2021 and 2020, the Association’s note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2022, was $969,260,443, as defined by the GFA.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information and establishing policies and procedures. Remedies specified in the GFA associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2022, 2021 and 2020, the Association was not subject to remedies associated with the covenants in the GFA.

NOTE 10 — MEMBERS' EQUITY:

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

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

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class A capital stock (for farm loans), or participation certificates (for rural home and farm related businesses) is equal to 2 percent of the loan amount, up to a maximum amount of $1,000. The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the Association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates.

If needed to meet regulatory capital adequacy requirements, the board of directors of the Association may increase the percentage of stock requirement for each borrower up to a maximum of 10 percent of the loan amount.

Each owner of Class A capital stock is entitled to a single vote, while participation certificates provide no voting rights to their owners.

Within two years of repayment of a loan, the Association capital bylaws require the conversion of any borrower's outstanding Class A to Class C stock. Class C stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Redemption of Class C shares is made solely at the discretion of the Association's board of directors. At December 31, 2022, 2021 and 2020, the Association had no Class C stock.

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

Dividends and patronage distributions may be paid on the capital stock and participation certificates of the Association, as the board of directors may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings.

The following dividends and patronage distributions were declared and paid in 2022, 2021 and 2020, respectively:

Date Declared	Date Paid	Patronage
January 2022	**March 2022**	**$ 9,200,000**
January 2021	March 2021	$ 8,797,866
January 2020	March 2020	$ 8,500,000
March 2020	March 2020	$ 29,689
April 2020	April 2020	$ 1,263

In January 2023, the Association declared a $10,500,000 patronage which will be paid in March 2023/April 2023.

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. Effective January 1, 2017, new regulatory capital requirements for banks and associations were adopted. These new requirements replaced the core surplus and total surplus requirements with Common Equity Tier 1, Tier 1 Capital and Total Capital risk-based capital ratio requirements. The new requirements also replaced the existing net collateral ratio for System banks with a Tier 1 Leverage ratio and an Unallocated Retained Earnings (URE) and URE Equivalents Leverage ratio that are applicable to both the banks and associations. The Permanent Capital Ratio continues to remain in effect; however, the risk-weighted assets are calculated differently than in the past. As of December 31, 2022, the Association is not prohibited from retiring stock or distributing earnings.

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

Risk-weighted:	**Regulatory Minimums**	**Regulatory Minimums with Buffer**	**As of December 31, 2022**
Common equity tier 1 ratio	4.50%	7.00%	14.02%
Tier 1 capital ratio	6.00%	8.50%	14.02%
Total capital ratio	8.00%	10.50%	14.26%
Permanent capital ratio	7.00%	7.00%	14.05%
Non-risk-weighted:			
Tier 1 leverage ratio	4.00%	5.00%	14.23%
UREE leverage ratio	1.50%	1.50%	14.00%

Risk-weighted assets have been defined by FCA Regulations as the Statement of Condition assets and off balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. The primary changes which generally have the impact of increasing risk-weighted assets (decreasing risk-based regulatory capital ratios) were as follows:

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

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

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

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

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

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

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 153,284,078	$ 153,284,078	$ 153,284,078	$ 153,284,078
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,263,200	2,263,200	2,263,200	2,263,200
Allowance for loan losses and reserve for credit losses subject to certain limitations*	-	-	2,431,602	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(16,535,560)	(16,535,560)	(16,535,560)	(16,535,560)
	$ 139,011,718	**$ 139,011,718**	**$ 141,443,320**	**$ 139,011,718**
Denominator:				
Risk-adjusted assets excluding allowance	1,008,218,437	1,008,218,437	1,008,218,437	1,008,218,437
Regulatory Adjustments and Deductions:				
Regulatory deductions included in Total capital	(16,535,560)	(16,535,560)	(16,535,560)	(16,535,560)
Allowance for loan losses	-	-	-	(2,354,673)
	$ 991,682,877	**$ 991,682,877**	**$ 991,682,877**	**$ 989,328,204**

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

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

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 153,284,078	$ 153,284,078
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	2,263,200	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(16,535,560)	(16,535,560)
	$ 139,011,718	**$ 136,748,518**
Denominator:		
Total Assets	997,091,920	997,091,920
Regulatory Adjustments and Deductions:		
Regulatory deductions included in Tier 1 capital	(20,302,087)	(20,302,087)
	$ 976,789,833	**$ 976,789,833**

The Association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the Association'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 portfolio; sufficiency of liquid funds; needs of an association'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. A strong capital base, as outlined in the Plan, will afford the Association the opportunity to position itself to address the changing lending environment, and provide the highest quality service to its stockholders.

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

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

	2022	2021	2020
Class A stock	**425,344**	415,328	401,171
Participation certificates	**28,056**	22,389	18,485
Total	**453,400**	437,717	419,656

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

	2022	2021	2020
Accumulated other comprehensive income at January 1	**$ 108,341**	$ 127,250	$ 147,829
Actuarial gains (losses)	**203,259**	(8,476)	(10,146)
Amortization of prior service credit included in salaries and employee benefits	**(10,433)**	(10,433)	(10,433)
Other comprehensive income (loss)	**192,826**	(18,909)	(20,579)
Accumulated other comprehensive income at December 31	**$ 301,167**	$ 108,341	$ 127,250

NOTE 11 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the Association participate in either the defined benefit retirement plan (DB plan) or the defined contributions plan (DC plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section H of Note 2, "Summary of Significant Accounting Policies." The structure of the District's DB plan is characterized as multi-employer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (Bank and associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon District combination only. The Association records current contributions to the DB plan as an expense in the current year.

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

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

There were no supplemental 401(k) plans offered to active employees during 2022, 2021 and 2020.

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

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

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

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

	2022	2021	2020
Funded status of plan	**70.9** %	70.5 %	62.6 %
Association's contribution	**$ 408,118**	$ 449,286	$ 239,534
Percentage of Association's Contribution to total contributions	**3.9** %	3.0 %	4.0 %

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

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities.

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

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	**2022**	2021	2020
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 1,183,739**	$ 1,180,774	$ 1,161,529
Service cost	**5,796**	5,526	9,008
Interest cost	**36,370**	32,450	39,386
Plan participants' contributions	**27,585**	16,596	13,318
Actuarial (gain) loss	**(203,259)**	8,476	10,146
Benefits paid	**(81,738)**	(60,083)	(52,613)
Accumulated postretirement benefit obligation, end of year	**$ 968,493**	$ 1,183,739	$ 1,180,774
Change in Plan Assets			
Plan assets at fair value, beginning of year	**$ -**	$ -	$ -
Company contributions	**54,153**	43,487	39,295
Plan participants' contributions	**27,585**	16,596	13,318
Benefits paid	**(81,738)**	(60,083)	(52,613)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (968,493)**	$ (1,183,739)	$ (1,180,774)
Amounts Recognized on the Balance Sheets			
Other liabilities	**$ (968,493)**	$ (1,183,739)	$ (1,180,774)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial gain	**$ (297,201)**	$ (93,942)	$ (102,418)
Prior service credit	**(3,966)**	(14,399)	(24,832)
Total	**$ (301,167)**	$ (108,341)	$ (127,250)
Weighted-Average Assumptions Used to Determine Obligations at Year-End			
Measurement date	**12/31/2022**	12/31/2021	12/31/2020
Discount rate	**5.20%**	3.15%	2.80%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**7.20%/7.70%**	6.80%/6.00%	6.90%/6.40%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2031**	2030	2029

Total Cost		2022		2021		2020
Service cost	$	5,796	$	5,526	$	9,008
Interest cost		36,370		32,450		39,386
Amortization of:						
Unrecognized prior service cost		(10,433)		(10,433)		(10,433)
Net postretirement benefit cost	$	31,733	$	27,543	$	37,961
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income						
Net actuarial (gain) loss	$	(203,259)	$	8,476	$	10,146
Amortization of prior service credit		10,433		10,433		10,433
Total recognized in other comprehensive income	$	(192,826)	$	18,909	$	20,579
AOCI Amounts Expected to be Amortized Into Expense in 2023						
Unrecognized prior service cost	$	(10,433)	$	(10,433)	$	(10,433)
Weighted-Average Assumptions Used to Determine Benefit Cost						
Measurement date		12/31/2021		12/31/2020		12/31/2019
Discount rate		3.15%		2.80%		2.80%
Health care cost trend rate assumed for next year (pre-/post-65) - medical		6.80%/6.00%		6.60%/6.20%		6.90%/6.40%
Ultimate health care cost trend rate		4.50%		4.50%		4.50%
Year that the rate reaches the ultimate trend rate		2030		2029		2028

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)		
Fiscal 2023	$	70,395
Fiscal 2024		51,305
Fiscal 2025		54,972
Fiscal 2026		57,985
Fiscal 2027		60,867
Fiscal 2028–2032		303,678
Expected Contributions		
Fiscal 2023	$	70,395

NOTE 12 — RELATED PARTY TRANSACTIONS:

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

Total loans to such persons at December 31, 2022, 2021 and 2020 for the Association amounted to $24,461,384, $22,521,293 and $19,425,132. During 2022, 2021 and 2020, $2,523,974, $5,983,990 and $3,876,723 of new loans were made, and repayments totaled $2,303,921, $2,864,157 and $1,438,837, respectively. In the opinion of management, no such loans outstanding at December 31, 2022, 2021 and 2020 involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the Bank and passed through to the associations, such as FCSIC expenses. The Bank charges the individual associations directly for these services based on each association's proportionate usage. These expenses totaled $48,915, $46,133 and $42,682 in 2022, 2021 and 2020, respectively.

The Association received patronage payments from the Bank totaling $6,081,043, $4,737,147 and $3,725,572 during 2022, 2021 and 2020, respectively.

NOTE 13 — FAIR VALUE MEASUREMENTS:

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

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

December 31, 2022	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ 760,144**	**$ 760,144**

December 31, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 1,675,743	$ 1,675,743

December 30, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 1,341,352	$ 1,341,352

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

	December 31, 2022				
		Fair Value Measurement Using			
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ 7,026**	**$ 7,026**	**$ -**	**$ -**	**$ 7,026**
Net loans	**950,007,864**	**-**	**-**	**854,195,530**	**854,195,530**
Total Assets	**$ 950,014,890**	**$ 7,026**	**$ -**	**$ 854,195,530**	**$ 854,202,556**
Liabilities:					
Note payable to Bank	**$ 823,977,823**	**$ -**	**$ -**	**$ 740,884,143**	**$ 740,884,143**

	December 31, 2021				
		Fair Value Measurement Using			
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 11,310	$ 11,310	$ -	$ -	$ 11,310
Net loans	867,598,085	-	-	865,260,603	865,260,603
Total Assets	$ 867,609,395	$ 11,310	$ -	$ 865,260,603	$ 865,271,913
Liabilities:					
Note payable to Bank	$ 752,201,210	$ -	$ -	$ 750,179,143	$ 750,179,143

	December 31, 2020				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 13,104	$ 13,104	$ -	$ -	$ 13,104
Net loans	788,602,134	-	-	813,221,658	813,221,658
Total Assets	$ 788,615,238	$ 13,104	$ -	$ 813,221,658	$ 813,234,762
Liabilities:					
Note payable to Bank	$ 678,846,912	$ -	$ -	$ 699,962,617	$ 699,962,617

Uncertainty of Fair Value Measurements

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

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

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

Information about Other Financial Instrument Fair Value Measurements:

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Mission-related and other investments held to maturity	Discounted cash flow	Prepayment rates Probability of default Loss severity
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Note payable to Bank	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk
Other interest bearing liabilities	Carrying value	Par/principal and appropriate interest yield

Valuation Techniques

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

Loans Evaluated for Impairment

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

Other Property Owned

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

Note Payable to the Bank

The note payable to the Bank is not regularly traded; thus, quoted market prices are not available. Fair value of this instrument is discounted based on the Association's and Bank's loan rates as well as on management estimates. For the purposes of this estimate, it is assumed that the cash flow on the note is equal to the principal payments on the Association's loan receivables plus accrued interest on the note payable. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures. Management has no basis to determine whether the fair values would be indicative of the value negotiated in an actual sale.

NOTE 14 — COMMITMENTS AND CONTINGENCIES

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

The Association may participate in financial instruments with off-balance sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2022, the Association had $66,484,900 of commitments and $945,161 of commercial letters of credit for a total outstanding commitment of $67,430,061.

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

NOTE 15 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

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

	2022				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 6,107**	**$ 6,305**	**$ 6,496**	**$ 6,657**	**$ 25,565**
Reversal of (Provision for) Loan Losses	**33**	**51**	**(76)**	**145**	**153**
Noninterest expense, net	**(942)**	**(641)**	**(734)**	**(1,600)**	**(3,917)**
Net income	**$ 5,198**	**$ 5,715**	**$ 5,686**	**$ 5,202**	**$ 21,801**

	2021				
	First	Second	Third	Fourth	Total
Net interest income	$ 5,524	$ 5,704	$ 5,968	$ 6,065	$ 23,261
Reversal of (Provision for) Loan Losses	(893)	45	208	474	(166)
Noninterest expense, net	(1,547)	(753)	(1,011)	(1,449)	(4,760)
Net income	$ 3,084	$ 4,996	$ 5,165	$ 5,090	$ 18,335

	2020				
	First	Second	Third	Fourth	Total
Net interest income	$ 5,002	$ 5,070	$ 5,195	$ 5,462	$ 20,729
Reversal of (Provision for) Loan Losses	(290)	1	(311)	(481)	(1,081)
Noninterest expense, net	(1,127)	(535)	(852)	(166)	(2,680)
Net income	$ 3,585	$ 4,536	$ 4,032	$ 4,815	$ 16,968

NOTE 16 — SUBSEQUENT EVENTS:

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

DISCLOSURE INFORMATION AND INDEX

(Unaudited)

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

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

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

DESCRIPTION OF PROPERTY

Plains Land Bank, FLCA (Association) serves its 17-county territory through its main administrative and lending office at 1616 S. Kentucky St., Suite C-250, Amarillo, Texas 79102-5210. Additionally, there are four branch lending offices located at: 5625 Fulton Drive, Amarillo, Texas 79109; 2526 Perryton Parkway, Pampa, Texas 79065; 800 SE Loop 143, Perryton, Texas 79070; and 3102 W. 7th Street, Plainview, Texas 79072. The Association owns the office buildings in Amarillo, Pampa, Perryton and Plainview. The Association leases the office building on Kentucky Street in Amarillo.

LEGAL PROCEEDINGS

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

DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference from Note 10 to the financial statements, "Members' Equity," included in this annual report.

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 9, "Note Payable to the Bank," Note 11, "Employee Benefit Plans," and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

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

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

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

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

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports will be available approximately 40 days after quarter-end and can be obtained by writing to Plains Land Bank, FLCA 1616 S. Kentucky St., Suite C-

250, Amarillo, Texas 79102-5210 or calling (806) 331-0926. Copies of the Association's quarterly stockholder reports can also be requested by emailing *kmclaughlin@plainslandbank.com.* The Association's annual stockholder report is available on its website at *www.plainslandbank.com* 75 days after the fiscal year-end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year-end.

SELECTED FINANCIAL DATA

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

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

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

DIRECTORS AND SENIOR OFFICERS

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

NAME	POSITION	ELECTED/ EMPLOYED	TERM EXPIRES
Lyle Miller	Former Chairman	2015	Term 2024/Deceased 2022
Randy D. Darnell	Chairman	2002	2023
Jerrell K. Key	Vice Chairman	2019	2025
Lea Stukey, CPA	Director - Elected Director	2016	2023
Mallory K. Vestal, Ph.D.	Director - Elected Director	2016	2024
Daniel L. Krienke	Director	1999	2023
Walter "Rusty" Henson	Director	2001	2024
Steve Rader	Director	2002	2023
Ryan T. Berry	Director	2021	2024
Dustin Babcock	Director	2022	2025
Michael S. Harrell	Director	2022	2025
Dennis Babcock	Director	1998	Retired 2022
Don James	Director	2004	Retired 2022
Kay Lynn McLaughlin	CEO	2010	N/A
Cory W. Bruce	CCO	1998	N/A
Stephen W. Donnell	Regional President	1994	N/A

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

The following biographies of the board of directors and senior officers represent the past five years' business experience, principal occupation and/or employment for each individual.

Lyle Miller, age 68, was an operator in Floydada, Floyd County, Texas. He was one of three partners in Four M Brothers partnership which owned farmland and equipment, one of five partners in Miller Farms Texas and one of five family members that owned Hale Center Cotton Gin. Mr. Miller graduated from Floydada High School and went to college for one year following graduation. He previously served as president of the Floydada School Board of Trustees. Mr. Miller was elected to the Plains Land Bank Board of Directors in 2015. Mr. Miller passed away November 23, 2022.

Randy D. Darnell, age 62, is a full-time farmer and rancher in northeast Deaf Smith and northwest Randall counties. Mr. Darnell holds a Bachelor of Science degree in Ag Economics from Texas Tech University. He is a member and past president of the Canyon Independent School District board of trustees and the Construction Committee, and is an investor in Lone Star Gin, LP. Mr. Darnell was elected to the Plains Land Bank Board of Directors in 2002 and currently serves as Chairman of the board.

Daniel L. Krienke, age 72, is a farmer in Ochiltree County, experienced in both dryland and irrigated farming. He graduated from Follett High School and attended Clarendon College after graduation. Mr. Krienke is presently a director of the Texas Grain

Sorghum Association and the North Plains Groundwater Conservation District. Mr. Krienke was elected to the Plains Land Bank Board of Directors in 1999.

Walter “Rusty” Henson, age 66, has been a farmer and rancher in Briscoe County for the last 42 years. He is the owner and manager of Henson Farms which consists of 17,000 acres of grassland and farmland. Mr. Henson holds a Bachelor of Science degree in Agribusiness from West Texas State University, and he currently serves as a director of the Caprock Soil & Water Conservation District. Mr. Henson was first appointed to the Plains Land Bank Board of Directors to fill an unexpired board term in October 2000 and was then elected to the board in 2001. He currently serves as Chairman of the Audit Committee.

Steve Rader, age 69, has a farm and ranch operation in Hemphill and Lipscomb counties, and operates grazing land in Ellis County, Oklahoma. Mr. Rader holds a Bachelor of Science degree in General Agriculture from Oklahoma State University. He was previously a partner in RNR Seeding which specializes in reclaiming oil field pipelines and locations. Mr. Rader was elected to the Plains Land Bank Board of Directors in 2002.

Lea Stukey, CPA, age 54, is a CPA and shareholder/owner of Lewis, Kaufman, Reid, Stukey, Gattis & Co., PC, which is a CPA firm located in Plainview, Texas. Her practice consists primarily of tax planning and preparation, payroll services, and business consultation services. She is also a partner in RAPCO and owner of LAKSNothing, LLC. Mrs. Stukey holds a Bachelor of Business Administration in Accounting from West Texas A&M University. She previously served as the president of the board for the Plainview Christian Academy where she resigned in 2020. Mrs. Stukey was appointed to the Plains Land Bank Board of Directors as an outside director in December 2016 and currently serves as Vice Chairwoman of the Audit Committee.

Mallory K. Vestal, Ph.D., age 39, has been an Associate Professor of Agricultural Business and Economics in the Department of Agricultural Sciences at West Texas A&M University since 2018 and was an Assistant Professor beginning in 2012. Dr. Vestal holds a Doctor of Philosophy in Agricultural Economics and a Master of Science in Agricultural Economics from Oklahoma State University, as well as a Bachelor of Science in Agribusiness/Equine Industry and Business from West Texas A&M University. She currently serves on the board of the Texas Agricultural Cooperative Council, Panhandle Quarter Horse Association and Southern Agricultural Economics Association. Dr. Vestal previously served as the Director of Judge Education for the National Reining Horse Association. Dr. Vestal was appointed to the Plains Land Bank Board of Directors as an outside director in December 2016 and currently serves as Vice Chairwoman of the Compensation Committee.

Jerrell K. Key, age 59, is a farmer and rancher in Hansford and Armstrong counties, experienced in cattle, cotton, corn and wheat. Mr. Key holds a Bachelor of Science degree in Ag Economics from Texas Tech University. He is a managing partner of K&K Cattle Co., currently serves on the board of the Hansford & Hutchinson FSA County Committee, is the General Manager of Adobe Walls Gin, LP and on the Board of Managers for Lone Star Gin, L.P. Mr. Key was elected to the Plains Land Bank Board of Directors in 2019 and currently serves as Vice Chairman of the Board.

Ryan T. Berry, age 32, is the owner/operator of Berry Farms and a co-owner of Berry Brothers Farms, LLC, as well as an investor in Lone Star Gin LP. Both Berry Farms and Berry Brothers Farms, LLC produce corn, cotton and grain sorghum. Mr. Berry holds a Bachelor of Science Degree in Agricultural and Applied Economics from Texas Tech University. He was elected to the Plains Land Bank Board of Directors in 2021 and currently serves as Chairman of the Compensation Committee.

Dustin Babcock, age 40, owns and operates a grain and cotton farm in Carson, Gray and Armstrong counties. Mr. Babcock holds a Bachelor of Science degree in Plant, Soil and Environmental Science from West Texas A&M University. He is an owner and director of TriStar Grain, LLC, and is an investor and serves on the board of Lone Star Gin, LP. Mr. Babcock was elected to the Plains Land Bank Board of Directors in 2022.

Michael S. Harrell, age 55, farms cotton and small grain in Hale County, as well as manages a small beef cattle operation. Mr. Harrell holds a degree from Texas Tech University specializing in Mechanized Agriculture and Ag Education. He is a past board member of the Hale County Noxious Weed Board. Mr. Harrell was elected to the Plains Land Bank Board of Directors in 2022.

Dennis Babcock, age 71, is a farmer and rancher in Carson and Gray counties with his two sons, experienced in both dryland and irrigated farming. Mr. Babcock has a Bachelor of Science degree in Ag Economics from West Texas State University. He currently serves as a director of Groom Irrigation Gas, Inc, and is an investor in Lone Star Gin, LP. Mr. Babcock was elected to the Plains Land Bank Board of Directors in 1998. Mr. Babcock retired from the Plains Land Bank Board of Directors in 2022.

Don James, age 71, farms in Hale County. Mr. James attended Wayland Baptist University and Texas Tech University. He is a past board member of United Farm Industries in Plainview, Texas, and the Llano Estacado Regional Planning Group. Mr. James was elected to the Plains Land Bank Board of Directors in 2004. Mr. James retired from the Plains Land Bank Board of Directors in 2022.

Kay Lynn McLaughlin, age 42, began her employment with the Association in March 2010. Mrs. McLaughlin holds a Bachelor of Business Administration, as well as a Master of Business Administration and a Master of Public Accounting degree, all from West Texas A&M University. She previously served as a Loan Officer, Operations Manager, Controller, and Chief Financial Officer for Plains Land Bank, FLCA. She was promoted to Chief Executive Officer-Elect on March 1, 2021, and then Chief Executive Officer on October 1, 2021.

Cory W. Bruce, age 51, began his employment with the Association in March 1998. Mr. Bruce holds a Bachelor of Science degree in plant science and a Master of Business Administration degree in Agriculture from West Texas A&M University. He previously served as Vice President/Assistant Branch Manager of the Amarillo office and Vice President/Capital Markets of Panhandle-Plains Land Bank, FLCA and was promoted to Chief Credit Officer of the Association effective August 1, 2010. Mr. Bruce served as a board member for the Canyon Economic Development Board until the fourth quarter of 2022 and currently serves as a board member of the West Texas A&M Ag Development Association.

Stephen W. Donnell, age 64, began his employment with the Association in June 1994. Mr. Donnell holds a Bachelor of General Studies degree from West Texas A&M University. He previously served as Senior Vice President of Lending in the Amarillo Office and was promoted to Regional President on October 1, 2020. Mr. Donnell is currently a member of the West Texas A&M Ag Development Association.

COMPENSATION OF DIRECTORS

Directors were compensated for their service to the Association in the form of an honorarium at the rate of $750 per day for director meetings and committee meetings in January 2022 and $1,000 per day for director meetings and committee meetings thereafter. Monthly retainers are paid to the chairman of the board and the chairman of the audit committee at a rate of $400 and $300 per month, respectively. Board members were additionally reimbursed for certain expenses incurred while representing the Association in an official capacity. Mileage for attending official meetings during 2022 was paid at the IRS-approved rate of 58.5 cents per mile effective through January 1, 2022 to June 30, 2022 and 62.5 cents per mile effective through July 1, 2022 to December 31, 2022. A copy of the travel policy is available to stockholders of the Association upon request.

	Number of Days Served Associated With		
Director	**Board Meetings**	**Other Official Activities**	**Total Compensation in 2022**
Daniel L. Krienke	12	6	$ 17,250
Randy D. Darnell	12	14	25,850
Walter “Rusty” Henson	12	10	23,850
Steve Rader	9	8.5	16,000
Dennis Babcock	5	0	6,650
Don James	5	10	15,650
Lyle Miller	11	9	21,450
Mallory K. Vestal, Ph.D.	11	16	25,450
Lea Stukey, CPA	12	8	21,650
Jerrell K. Key	11	10	19,250
Ryan T. Berry	10	8.7	17,325
Michael S. Harrell	4	4	7,500
Dustin Babcock	4	2	5,500
			$ 223,375

The aggregate compensation paid to directors in 2021 and 2020 was $146,504 and $153,012, respectively. Included in the amount above are two additional payments of $1,900 made to Dennis Babcock and Don James as retirement gifts resulting in total compensation paid of $223,375 for 2022.

Additional detail regarding director compensation paid for committee service (which is included in the table above) is as follows for 2022:

	Committee	
Director	**Audit**	**Compensation**
Daniel L. Krienke	$ 11,750	$ 2,750
Randy D. Darnell	11,750	2,750
Walter "Rusty" Henson	11,750	2,750
Steve Rader	8,750	2,750
Dennis Babcock	4,750	750
Don James	4,750	750
Lyle Miller	10,750	2,750
Mallory K. Vestal, Ph.D.	10,750	2,750
Lea Stukey, CPA	11,750	2,750
Jerrell K. Key	10,750	2,750
Ryan T. Berry	9,750	2,750
Michael S. Harrell	4,000	2,000
Dustin Babcock	4,000	2,000
	$ 115,250	$ 30,250

Audit and Compensation Committee meeting compensation is included with the general board meeting honorarium of $1,000 per day. The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $105,936, $96,009 and $56,794 in 2022, 2021 and 2020, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

Overview

The primary objective of the compensation package is to create a work environment such that employees are fully engaged in the mission statement of "improving the means and well-being of farmers, ranchers, and rural life in our territory." The compensation plan will allow the Association to attract and retain top talent and align the interest of our employees and shareholders. It is important to offer our employees a strong and competitive compensation package. The package is designed to strengthen Association productivity and employee loyalty, while building team effort as well as reward for individual accomplishment. The compensation plan includes base pay, incentive bonus and benefits. The board of directors believes the compensation plan is competitive for our employees and brings value to our shareholders (owners). The Association will continue to strive to maintain this type of balance between employees and shareholders. Base salaries and benefits are based on market data and deemed to be competitive with other employers in the market place. The current incentive plan is administered in accordance with board approved Association policy, as recommended by the Board Compensation Committee. The board-approved incentive plan is intended to achieve the following:

- All the employees to share a portion of the increase in stockholder value of the organization after certain performance goals have been met.
- Motivate employees to achieve and exceed the desired Association business goals over the long term.
- Reward employees for increased productivity based on their individual contributions and the overall success of the Association.
- Reinforce teamwork throughout the organization.
- Provide an overall competitive compensation opportunity so that the Association can attract, retain, and motivate high quality individuals.

The sum of funds available for the incentive bonus payout to Association employees under the plan is a set percentage of 5.75 percent of the year-ending net income. This amount can be decreased by the Association, each office, and individual loan officers not meeting its and/or their goals. The goals used in the plan are balanced between new loan volume and volume growth, credit quality, and other job performance areas. Incentive payments are paid in the first quarter of each year based on the performance from January 1 through December 31 of the previous year.

Chief Executive Officer (CEO) Compensation Policy

The CEO salary is set by the Compensation Committee and is part of the same compensation plan for all employees. Part of the compensation plan is the incentive plan, which is also the same for all employees including the CEO. The CEO does not have an employment agreement; this is the same practice for all employees. The employment of the CEO by the Association is on an "at will" relationship. This means that either the employer or the employee is free to terminate the employment relationship at any time with or without reason.

Summary Compensation Table

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

Name of Individual or number in group (a)	Year	Salary (b)	Bonus (c)	Change in Pension Value (d)	Deferred/ Perquisite (e)	Other (f)	Total
Kay Lynn McLaughlin, CEO	**2022**	**$ 312,917**	**$ 55,744**	**$ -**	**$ 37,803**	**$ 4,615**	**$ 411,079**
	2021	213,275	45,770	-	30,114	4,519	293,678
Aggregate Number of Senior Officers (& other highly compensated employees, if applicable)							
5	**2022**	**$ 790,200**	**$ 288,553**	**$ (394,249)**	**$ 119,677**	**$ 9,695**	**$ 813,876**
5	2021	673,584	190,873	13,414	91,476	10,356	979,703
5	2020	726,528	214,316	300,969	104,587	7,371	1,353,771

(a) Aggregate number of senior officers/highly compensated individuals, excluding CEO.
(b) Gross salary, including retention plan compensation for certain senior officers.
(c) Bonuses paid within the first 60 days of the subsequent calendar year.
(d) Change in pension value represents the change in the actuarial present value of the accumulated benefit under the defined benefit pension plan, the Farm Credit Bank of Texas Pension Plan, from the prior fiscal year to the current fiscal year.
(e) Deferred/Perquisites include contributions to 401(k) and defined contribution plans, supplemental 401(k) discretionary contributions, automobile benefits, premiums paid for life insurance and other fringe benefits.
(f) Amounts in the "Other" column include annual leave.

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

Pension Benefits Table

The following table presents the total annual benefit provided from the defined benefit pension plan applicable to the Association employee for the year ended December 31, 2022:

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During 2022
Aggregate Number of Senior Officers (& other highly compensated employees, if applicable)	Farm Credit Bank of Texas Pension Plan			
1		36	$ 1,796,079	$ -

Pension Benefits Table Narrative Disclosure

The previous CEO Greggory S. Lloyd and one other current employee of the Association participate in the Farm Credit Bank of Texas Pension Plan (the "Pension Plan"), which is a qualified defined benefit retirement plan. Compensation, as defined in the Pension Plan, includes wages, incentive compensation, and deferrals to the 401(k) and flexible spending account plans, but excludes annual leave or sick leave that may be paid in cash at the time of termination, retirement, or transfer of employment, severance payments, retention bonuses, taxable fringe benefits and any other payments. Pension Plan benefits are based on the average of monthly eligible compensation over the 60 consecutive months that produce the highest average after 1996 ("FAC60"). The Pension Plan's benefit formula for a Normal Retirement Pension is the sum of (a) 1.65 percent of FAC60 times "Years of Benefit Service" and (b) 0.50 percent of (i) FAC60 in excess of Social Security covered compensation items and (ii) "Years of Benefit Service" (not to exceed 35). The present value of the senior officers' accumulated Pension Plan is calculated assuming retirement had occurred at the measurement date used for financial reporting purposes with the retirement at age 65. The Pension Plan's benefit formula for the Normal Retirement Pension assumes that the senior officer is married on the date the annuity begins, that the spouse is exactly two years younger than the senior officer and that the benefit is payable in the form of a 50 percent joint and survivor annuity. If any of those assumptions are incorrect, the benefit is recalculated to be the actuarial equivalent benefit.

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

Employees assigned Association automobiles reimburse the Association for personal miles at a board-established rate. Employees who use their personal automobiles for business purposes were reimbursed during 2022 at the IRS-approved rate of 58.5 cents per mile effective through January 1, 2022 to June 30, 2022 and 62.5 cents per mile effective through July 1, 2022 to December 31, 2022.

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

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

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

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

DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

During the past five years, none of the Association's officers or directors have been involved in legal proceedings that are material to an evaluation of the ability or integrity of any person who served as director or senior officer on January 1, 2022, or at any time during the fiscal year just ended.

RELATIONSHIP WITH INDEPENDENT AUDITOR

The Association's Audit Committee engaged the independent accounting firm of PricewaterhouseCoopers LLP (PwC) to perform the annual audit of the Association's financial statements included in this annual report. The fees for professional services rendered for the Association by PwC during 2022 were $89,922 for audit services performed. Other non-audit services were provided in the amount of $900 during 2022.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

As of March 28, 2019, the Association terminated Panhandle-Plains Land Bank Holding Co., LLC, and as of May 8, 2019, the Association has terminated the previously held relationship with Biostar B, LLC. These entities were limited liability companies, originally formed for the purpose of acquiring and managing unusual and complex collateral.

FINANCIAL STATEMENTS

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

MEMBER/SHAREHOLDER PRIVACY

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

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

This Association is committed to providing sound and dependable credit to young, beginning and small (YBS) farmers and ranchers. The Association recognizes the vital nature of YBS to the overall future well-being of the agricultural industry. To ease entry for those new to agriculture, we provide reasonably priced financial products and services, consider flexibility with loan approvals and servicing, work with other Farm Credit and non-system lenders and implement outreach programs.

Mission Statement

To encourage and facilitate the entry of young, beginning and small borrowers into agricultural operations.

Definitions for YBS farmers and ranchers are:

- *Young farmer*: A farmer, rancher or producer or harvester of aquatic products who was age 35 or younger as of the date the loan was originally made.
- *Beginning farmer*: A farmer, rancher or producer or harvester of aquatic products who had 10 years or less of experience at farming, ranching or producing or harvesting aquatic products as of the date the loan was originally made.
- *Small farmer*: A farmer, rancher or producer or harvester of aquatic products who normally generated less than $250,000 annual gross sales of agricultural or aquatic products at the date the loan was originally made.

The following table outlines the Association's percentage of YBS loans as a percentage of our loan portfolio as of December 31, 2022. The Ag Census information, complied from the USDA 2017 Ag Census, is based on the number of Young, Beginning and Small operators as a percentage of total operators in the Association territory. The Association reports on the percentage of Young, Beginning and Small loans in the loan portfolio (by number) compared to the total number of loans in the portfolio. This difference in the two methods of calculation is considered to be insignificant and reasonable for comparison purposes. Also shown in the table are the goals for 2022 established by the board.

By Number					
	USDA	Goals	2022	2021	2020
Young	5.77%	16%	16.98%	16.73%	17.95%
Beginning	19.20%	32%	27.93%	27.80%	29.08%
Small	75.34%	50%	43.40%	44.56%	45.22%

The following table outlines our percentage of YBS volume as a percentage of our total loan volume as of December 31, 2022.

By Volume			
	2022	2021	2020
Young	16.51%	14.16%	14.34%
Beginning	24.74%	24.71%	27.77%
Small	33.97%	35.37%	33.64%

The Association established the following as some of the qualitative goals for 2022 in an effort to reach YBS farmers and ranchers:

- Report on a quarterly basis to the Board YBS activity.
- Effectively make and service loans and provide credit related services to the YBS segment.

- The demographic study shows 5.77 percent of Young operators in our territory. Maintain our goal of loans to Young borrowers at 16 percent through 2025.

- The demographic study shows 19.20 percent of Beginning operators in our territory. Maintain our goal of loans to Beginning borrowers at 32 percent through 2025.

- The demographic study shows 75.34 percent of Small operators in our territory. Increase our goal of loans to Small borrowers to 50 percent in 2022 and target 55 percent into 2025.

- Provide five $1,000 scholarships to Junior/Senior level Ag College students at WTAMU.

- Provide four $2,000 scholarships to high school students within our territory pursuing an agriculture-related degree.

- Participate in the District's YBS leader development program.

- Participation by employees, primarily loan officers, in stock shows, producer meetings, county farm demonstrations, trade shows and any other activities that reach YBS producers.

- Implement effective outreach programs to attract YBS farmers and ranchers. Special programs and events we have held or sponsored to meet this need include:

    - West Texas A&M University Scholarships – The Association currently provides five $1,000 scholarships to Junior/Senior level Ag College students at West Texas A&M University. The Ag College faculty decides on the recipients. The Association criterion for the faculty is that there should be one recipient from each of the branch offices' territories.

    - Livestock Shows/Farm Shows/Rodeos – The Association will continue to provide assistance and sponsorship to various livestock shows, area farm shows and rodeos. These shows provide an opportunity to make contact with existing customers and reach potential customers.

    - Campus Visits – Association loan officers are committed to the development of YBS farmers in our area. They will continue to visit and make presentations for local agricultural students.

    - Educational Opportunities – The Association is actively involved with other lenders, producer groups, and the extension service in developing and sponsoring educational opportunities, leadership training, and business/financial training for YBS farmers and ranchers. The Association and board of directors also annually host the Canyon FFA Ag Issues Team, who give a mock presentation during one board meeting. Finally, Plains Land Bank is a sponsor of a classroom in the West Texas A&M University Ag Complex which was completed for the Fall Semester 2018.

    - West Texas A&M University Ag Development Association – Three Association officers are currently on the board of directors for the Ag Development Association. Ag Development is involved in the ongoing growth and development of a dynamic collegiate agriculture program.

    - Agriculture/Community Boards/Committees – Several Association officers are members of local agricultural groups (FFA, 4-H, Ag Group, County/City Ag), as well as non-agricultural committees/boards. This exposes many existing or potential YBS producers to Farm Credit and this Association.

    - TALL – The Texas Agricultural Lifetime Leadership program is sponsored by Texas A&M System AgriLife Extension Service. The Association sponsors and participates in the TALL program.

    - Online Presence – The website details the Association's commitment to identifying and meeting the needs of young, beginning and small operators. It features press releases on recent Association scholarship recipients, YBS programs available to applicants and The Farm Credit Young Leaders Program, to name a few. Articles targeting YBS borrowers are regularly posted to Facebook.

- Media –
    - Print: Both the Districtwide portion of the *Landscapes* publication, as well as the Association insert, frequently feature articles on YBS operators. The insert also features the Association scholarship winners. *Landscapes* is mailed to existing and potential borrowers, as well as to title companies, Realtors, and other prospects, many of whom are eligible for the YBS program.
    - Radio: Several Association officers participate in live or recorded interviews with local radio stations to promote area agricultural (including YBS) events and programs.
    - Television: Television ads feature some of the Association's YBS borrowers.

The YBS mission is the make a concerted and cooperative effort to finance Young, Beginning or Small farmers, ranchers and producers through a program designed to meet the needs of such applicants to the fullest extent of their creditworthiness. Association loan officers will provide instruction and guidance, as prudent lenders, to young, beginning and small farmers and ranchers in areas such as financial analysis and management and other applicable areas. Specific activities and services to be provided will include association sponsorship, co-sponsorship, participation in, or support of programs through or with FFA, FSA, commercial banks and the Texas Cooperative Extension Service that target the YBS segment. Participation will be in the form of financial help or direct personnel participation.

Loan officers will utilize when applicable the Association YBS Loan Programs and FSA guarantee programs for qualified loan applicants. The demographics information was compiled from the USDA 2017 Ag Census. The Ag Census information is based on the number of Young, Beginning and Small operators as a percentage of total operators in the Association territory. The Association reports on the percentage of Young, Beginning and Small loans in the loan portfolio (by number) compared to the total number of loans in the portfolio. The difference in the two methods of calculation is considered to be insignificant and thus reasonable for comparison purposes. The CCO will monitor and oversee the Association YBS activity.

Quarterly reports are provided to the Association Board of Directors detailing the number and volume of YBS customers in the portfolio and any additional YBS activity.

Plains Land Bank, FLCA
1616 S. Kentuckys St. Ste C-250
Amarillo, Tx 79102

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