A Steady Partner in Times of Uncertainty

FRONTIER FARM CREDIT

2022 ANNUAL REPORT

$2.6 BILLION in Loans

$551.8 MILLION in Members' Equity

$50.3 MILLION in Net Income

$22.7 MILLION in Cash-Back Dividends (Estimated)

Financial Highlights	2022	2021	2020
Loans	$2.6 billion	$2.4 billion	$2.3 billion
Members' Equity	$551.8 million	$524.2 million	$493.2 million
Net Income	$50.3 million	$51.2 million	$45.6 million
Cash-Back Dividends	$22.7 million (estimated)	$20.5 million (estimated)	$23.6 million (estimated)

A steady partner to keep agriculture and your cooperative moving forward.

GROWING THE NEXT GENERATION

In 2022, we expanded our Young, Beginning and Small Producer programs to include relationship managers who spend 100% of their time helping the next generation succeed.

Relationship officers in eastern Kansas hosted six financial skills workshops for their young and beginning customers, covering topics ranging from balance sheet basics to cash flow fundamentals to succession planning.

> "I'M VERY THANKFUL FOR THIS OPPORTUNITY. IT HAS OPENED MY EYES TO SO MUCH THAT I HAVEN'T CONSIDERED, ENCOUNTERED OR EVEN THOUGHT TO ASK!
>
> – Side by Side attendee

DELIVERING EXPERTISE TO INFORM BUSINESS DECISIONS

Our customer education events had a big impact on our customers' businesses. In conjunction with Farm Credit Services of America (FCSAmerica), we hosted five special-edition webinars to deliver timely analyses from leading experts, including geopolitical bestseller Peter Zeihan.

Combined with our monthly webinars – "Two Economists and a Lender" and "Side by Side Digital" – and a virtual GrowingOn® series, we hosted 46 online educational events. We also hosted three in-person GrowingOn meetings and our Executive Summit.

In 2022, Frontier Farm Credit also partnered with FCSAmerica and American AgCredit to launch a new source of agricultural industry analyses for farmers and ranchers. Terrain™ offers insights on trends and market-moving events through reports, videos, presentations and more, prepared by a team of economic analysts. Terrain, like all our educational offerings, is free to customers and available at terrainag.com.

> "I APPRECIATE THE TIME AND EFFORT FARM CREDIT PUT INTO HELPING PRODUCERS AND FAMILY FARMERS.
>
> – "Two Economists and a Lender" attendee

ENGAGING IN THE RESILIENCY AND SUSTAINABILITY OF AGRICULTURE

The world of sustainability is evolving, and producers are looking for opportunities and markets that reward their practices and stewardship. Frontier Farm Credit added a new role, vice president of corporate sustainability, and implemented a sustainability program aimed at:

- **Educating our customers about opportunities, trends and challenges in sustainable agriculture.**
- **Enabling customers to participate in sustainable practices through specialized products and programs, if they choose.**
- **Engaging with third-party organizations to collaborate on partnerships and new opportunities that bring value to our customers, associations, communities and the agriculture industry.**

We invite you to read the accompanying Sustainability Report to learn more about Frontier Farm Credit's and FCSAmerica's new program and the work being done by customer-owners in this area.

> "WE'RE WANTING TO GET BACK TO A SYSTEM THAT IS USING BIOLOGY AND IS NOT AS DEPENDENT ON SYNTHETIC FERTILIZERS AND INPUTS TO MAKE THE SYSTEM GO. WE'RE CUTTING BACK EACH YEAR FROM WHERE WE WERE, AND THE GROUND IS SAYING THANK YOU. YOU CAN SEE IT. YOU CAN PICK UP THE SOIL, AND YOU CAN SMELL IT. THE SOIL IS ALIVE.

– Clint Cox, featured customer in Sustainability Report

Financial Information

Making Good on Our Customer and Industry Promises

Three years after the COVID-19 pandemic disrupted every aspect of our lives, agriculture continues to feel the fallout of supply chain disruptions, tight labor and higher costs. War between two of the world's top grain producers and shifting trade patterns add uncertainty to already volatile markets. Closer to home, drought in areas of our service territory led to wide variability in 2022 yields and concern that dry conditions could persist into 2023.

Fortunately, commodity prices remain strong, and, on the whole, agricultural producers enter a new production year on solid financial footing. For you, our customer-owners, there also is the assurance that Frontier Farm Credit has the financial strength to meet your credit and risk management needs – to be a steady partner in times of uncertainty.

Our goal every year is to grow your financial cooperative to fulfill our mission of serving agriculture in good and bad times. I am pleased to report 2022 was profitable for Frontier Farm Credit. Corporate lending rose significantly, reflecting our financing capacity and expertise in the needs of complex agribusinesses. Our crop insurance agency continued its year-over-year growth to give our customers the protection they need to withstand adversity, and ag real estate and Rural 1st® home lending were solid.

We also saw interest rates increase in the past year, with the Federal Reserve moving swiftly and aggressively in its attempt to tamp down inflation. We can't predict when rates will come back down, but they will. And as always, we will identify opportunities to reduce your rates to save you money.

This is just one of the many ways we strive to add value to your lending relationship with Frontier Farm Credit. We also continue to expand educational programs and industry insights. This past year, we partnered with FCSAmerica and American AgCredit to launch Terrain, a team of agricultural analysts who share their insights through terrainag.com and at customer events and meetings. We extended the reach of our specialized young and beginning team to serve our entire territory. And we have a new sustainability program to help inform customers interested in this increasingly important market.

I encourage everyone to read our accompanying Sustainability Report to learn more.

The most tangible value of our cooperative-business model is our patronage program. For 2022, we returned $22.7 million of net income in the form of cash-back dividends – the equivalent of 1% of your average eligible daily balance.

The net income we retained ensures we meet your current needs while also investing in the future. This includes advancing our digital tools to make it convenient and secure to do business when and where you need our services. FarmLend®, launched to help farmland buyers start the lending process online, is now offered for AgDirect® equipment financing loans. We also are introducing new and enhanced features to our cash management tools.

Changes in agriculture are happening at an unprecedented pace, and every decision we make today is aimed at moving you and our industry forward.

On behalf of all of us at Frontier Farm Credit, thank you for your business.

Mark Jensen

Mark Jensen
President and CEO

Consistency in the Face of Change

Many of us have farmed or ranched long enough to appreciate the increasing complexity of managing our businesses. Even in last year's profitable environment, farmers and ranchers dealt with an unprecedented number of challenges. Your Board of Directors continues to make investments that ensure Frontier Farm Credit has the financial strength, services, products, expertise and digital tools to meet the needs of agriculture.

Frontier Farm Credit has long had specialized lending products to help lower financial barriers to starting and growing an operation. This past year Frontier Farm Credit added a team of relationship officers who work one-on-one with young, beginning and small producers across our service area. These relationship officers provide an additional level of support, including workshops and coaching aimed at building business and financial acumen.

No matter our tenure in the industry, we all benefit from Frontier Farm Credit's understanding of agriculture. Technology is changing how we, as customer-owners, do business. And Frontier Farm Credit is changing accordingly. Frontier Farm Credit offers FarmLend as an online option to apply for a real estate loan. Last year, FarmLend expanded to include an online application for equipment financing through AgDirect.

FarmLend also is an example of collaboration within the Farm Credit System. Nine Farm Credit Associations are partnering to offer FarmLend in more than 25 states. Frontier Farm Credit also participates in Rural 1st for home financing. By sharing technology, business processes and expertise, Farm Credit Associations can gain efficiencies to better serve agriculture. The result is stronger financial cooperatives.

We all have a stake in Frontier Farm Credit's success. This cooperative exists to be the lender producers can depend on for their lending and risk management needs. Frontier Farm Credit leverages its financial strength to deliver on its mission in good – and most importantly – tough times.

Frontier Farm Credit shares its success with customer-owners through cash-back dividends. In 2022, the Association returned a cash-back dividend equivalent to 1% of a customer's eligible daily balance for a total payout of $22.7 million. Since 2004, Frontier Farm Credit has returned more than $180 million to eligible customer-owners.

Your Board has approved a cash-back dividend for 2023, the amount of which will be determined in December. This will be the 20th consecutive cash-back dividend paid to eligible customer-owners. In this and so many other ways, you can count on our financial cooperative to support agriculture, today and tomorrow.

Thank you for doing business with Frontier Farm Credit.

Shane Tiffany
2022 Board Chair

Frontier Farm Credit, ACA Directors

Kathy Brick / Overland Park, Kansas
An appointed Director, Brick has a background in finance, accounting, internal controls, risk management, regulatory compliance, strategic planning and process improvement. She consults through Kathy Brick, LLC, and also serves as managing director of Prairie View Holdings, LLC, a family farming operation in Missouri. She previously served as a certified public accountant and as the chief financial officer of a wholesale financial institution. She was appointed to the Frontier Farm Credit Board in 2014, her current term ends March 31, 2024.

Bill Miller / Council Grove, Kansas
Miller is president of ABCD2 Cattle Co., LLC, a cattle feeding business, and a co-owner of Miller Ranch, a ranch on which he and his wife run commercial Angus cows. Additionally, he provides communications consulting to U.S. Premium Beef, LLC, where he previously served as vice president – communications. Miller is a member of the CoBank Nominating Committee, the CoBank District Farm Credit Council and the Council Grove Community High School Mentoring Board. He was elected to the Frontier Farm Credit Board in 2006; his current term ends March 31, 2023.

Lee Mueller / Hiawatha, Kansas
Mueller is president of Laus Creek Farm, Inc., and raises corn and soybeans. He also owns Laus Creek Trucking, LLC. He serves on the Highland Community College Precision Ag Department Advisory Committee and as a trustee for the Hiawatha Community Foundation. Mueller was elected to the Frontier Farm Credit Board in 2015; his current term ends March 31, 2024.

Shane Tiffany / Allen, Kansas
Tiffany is president of Tiffany Cattle Co., Inc., a custom cattle feeding operation, Tiffany Holdings, LLC and Tiffany Holdings II, LLC, both agricultural land holding companies, and Tiffany Enterprises, LLC, a real estate investment company. He is also vice president of Tiffany Family Farms, LLC, a farming operation, and has a minority ownership interest in OWNX, LLC, a gold and silver investment company, and Elevate Ag, LLC, an ag company that produces biological stimulants. He previously served as president of Medicine Man Pharms, LLC, a farming operation. He is a member of the Kansas Livestock Association Cattle Feeders Council Executive Committee and an elder of High View Church. Tiffany was elected to the Frontier Farm Credit Board in 2017; his current term ends March 31, 2025.

Frontier Farm Credit, ACA

Consolidated Five-Year Summary of Selected Financial Data

(Dollars in thousands)

	2022	2021	2020	2019	2018
Balance Sheet Data					
Loans	**$2,649,458**	$2,409,596	$2,254,539	$2,042,932	$1,979,557
Less allowance for loan losses	**3,600**	4,000	9,800	9,600	8,800
Net loans	**2,645,858**	2,405,596	2,244,739	2,033,332	1,970,757
Investment in CoBank, ACB	**67,809**	70,099	70,069	65,069	64,015
Investment in AgDirect, LLP	**8,270**	7,712	5,792	4,420	4,201
Other property owned	**–**	–	–	–	279
Other assets	**92,569**	74,556	63,999	72,504	75,800
Total assets	**$2,814,506**	$2,557,963	$2,384,599	$2,175,325	$2,115,052
Obligations with maturities of one year or less	**$ 50,890**	$ 40,289	$ 36,537	$ 37,456	$ 26,990
Obligations with maturities greater than one year	**2,211,801**	1,993,483	1,854,847	1,657,977	1,636,637
Total liabilities	**2,262,691**	2,033,772	1,891,384	1,695,433	1,663,627
At-risk capital stock	**9,379**	9,351	8,959	8,532	8,258
Less capital stock receivable (Note 8)	**(9,379)**	(9,351)	(8,959)	–	–
Accumulated other comprehensive loss	**–**	–	–	–	(193)
Retained earnings	**551,815**	524,191	493,215	471,360	443,360
Total members' equity	**551,815**	524,191	493,215	479,892	451,425
Total liabilities and members' equity	**$2,814,506**	$2,557,963	$2,384,599	$2,175,325	$2,115,052
Statement of Income Data					
Net interest income	**$63,221**	$59,189	$55,132	$55,329	$53,975
Provision for credit losses	**286**	(6,299)	1,325	833	3,157
Noninterest income	**23,202**	21,474	17,908	13,262	15,336
Noninterest expense	**35,858**	35,770	26,140	22,170	19,773
Provision for income taxes	**–**	15	–	–	17
Net income	**$50,279**	$51,177	$45,575	$45,588	$46,364
Comprehensive income	**$50,279**	$51,177	$45,575	$45,781	$46,417
Key Financial Ratios					
For the year					
Return on average assets	**1.90%**	2.13%	2.04%	2.17%	2.28%
Return on average total members' equity	**9.22%**	9.92%	9.30%	9.66%	10.52%
Net interest income as a percentage of average earning assets	**2.52%**	2.60%	2.60%	2.81%	2.82%
Net charge-offs/(recoveries) as a percentage of average loans	**0.02%**	(0.02)%	0.04%	–	0.02%
At year-end					
Members' equity as a percentage of total assets	**19.61%**	20.49%	20.68%	22.06%	21.34%
Allowance for loan losses as a percentage of total loans	**0.14%**	0.17%	0.43%	0.47%	0.44%
Capital ratios:					
Permanent capital ratio	**15.97%**	17.35%	17.37%	18.61%	17.66%
Common equity Tier 1 ratio	**15.95%**	17.32%	17.30%	18.52%	17.58%
Tier 1 capital ratio	**15.95%**	17.32%	17.30%	18.52%	17.58%
Total capital ratio	**16.11%**	17.51%	17.79%	18.95%	18.00%
Tier 1 leverage ratio	**18.13%**	19.16%	19.16%	20.27%	19.23%
Other					
Cash patronage distribution payable to members	**$22,700**	$20,500	$23,600	$17,700	$15,700

Frontier Farm Credit, ACA

Management's Discussion and Analysis of Financial Condition and Results of Operations

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

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

CoBank, ACB, a Farm Credit System bank, its affiliated Associations and AgVantis are collectively referred to as the CoBank, ACB District. Frontier Farm Credit is one of the affiliated Associations in the District.

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

To request a free copy of our annual or quarterly reports, contact us at PO Box 2409, Omaha, NE 68103-2409, (800) 531-3905, via email to $sr@frontierfarmcredit.com or view them on our website, frontierfarmcredit.com. The annual report is available on our website no later than 75 days after the end of the calendar year, and shareholders are provided a copy of the report no later than 90 days after the end of the calendar year. The quarterly reports are available on our website no later than 40 days after the end of each calendar quarter.

Forward-Looking Information

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

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

Commodity Review and Outlook

United States producers finished 2022 with solid earnings, with net farm income up 13.8 percent from 2021 to a record $160.5 billion. Adjusted for inflation, this would put farm income at its highest level since 1973. Driving the increase in net farm income were farm cash receipts from the sale of agricultural commodities, as prices strengthened from 2021 to 2022. Nationally, farm cash receipts increased 24.3 percent compared to 2021 for a total of $541.5 billion.

Crop receipts increased 19.0 percent year-over-year, with large increases from corn, soybeans and wheat. Dry conditions across the western Corn Belt impacted crop yields, while the war between Russia and Ukraine disrupted global supplies for crops such as corn and wheat. As a result, both domestic and global stocks for corn, soybeans and wheat were relatively tight in 2022.

Frontier Farm Credit, ACA

Management's Discussion and Analysis of Financial Condition and Results of Operations

All major commodity categories in cattle and calves, dairy, broilers and hogs saw an increase in receipts. Cash receipts from cattle and calves increased $13.9 billion, or 19.0 percent. Fed steer prices averaged $137 per hundredweight in January and increased in 2022 to an average of $156 per hundredweight by December. Cattle supplies tightened in response to drought and high feed costs. At the same time, United States beef exports remained robust and domestic beef demand was up, driving strong prices.

Cash receipts for hogs topped more than $29.5 billion, an increase of $1.5 billion, or 5.5 percent, from 2021. While the pork sector benefited from higher prices and record-high cash offerings in the first half of 2022, producers faced headwinds from high production costs, increased disease pressure and uncertainty tied to California's Proposition 12. Pork exports from the United States were lower year-over-year. Looking ahead, China's short- and long-term ability to manage African swine fever is unclear.

Higher prices pushed milk receipts up over 38.0 percent from 2021 to 2022, an increase of $15.9 billion to $57.6 billion. While the number of milk cows on farms decreased by approximately 0.5 percent from 2021, United States milk production increased 0.2 percent due to the overall milk per cow increasing. Additionally, dairy exports were robust in 2022.

Despite strong prices, producers faced many challenges in 2022, including market volatility tied to persistent supply chain disruptions, the Russia-Ukraine war, interest rate hikes, drought and the highest inflation rate since the early 1980s, which drove up labor and production costs.

Largely absent from net farm income in 2022 were direct government payments. After reaching a record high of $45.6 billion in 2020, direct government farm program payments decreased to $25.9 billion in 2021 and declined even further in 2022 to $16.5 billion due to lower supplemental and disaster assistance. As a result, higher cash receipts in 2022 were partially offset by higher production expenses and lower direct government payments.

The average December monthly prices received by farmers and ranchers for the past five years are reflected in the table below:

	Averages for the Month of December:				
Commodity	**2022**	2021	2020	2019	2018
Corn	**$6.58**	$5.47	$3.97	$3.71	$3.54
Soybeans	**$14.40**	$12.50	$10.50	$8.70	$8.57
Wheat	**$8.98**	$8.59	$5.43	$4.64	$5.28
Beef cattle (all)	**$154.00**	$137.00	$108.00	$118.00	$117.00
Hogs (all)	**$62.50**	$56.50	$49.10	$47.30	$43.40

We monitor, compile and report real estate sales information for the 41 counties in our territory in eastern Kansas. We also value seven benchmark farms in eastern Kansas that are updated each January and July.

For 2022, the benchmark values indicated an overall average increase of 13.5 percent within the past six months indicating an average increase of 4.3 percent. Real estate prices appear to be driven by strong commodity prices, continued demand for quality tracts, additional market participants and volatility in the stock market. Market participants are keeping a close eye on interest rates, as we have seen several increases over the past year. However, this new interest rate environment has not yet appeared to have a significant impact on land values.

Loan Portfolio

Our loan volume experienced another year of solid growth and increased $239.9 million, or 10.0 percent, in 2022. The majority of the loan volume increase came from agribusiness loans and long-term agricultural mortgage loans. Our loan portfolio consists primarily of agricultural real estate loans, production operating loans, intermediate term installment loans and credit facilities to agricultural businesses. A high percentage of real estate loan installments are due in the December-to-March period. Most operating loans mature and are refinanced after the fall harvest and before spring planting. Operating loan volume tends to peak late in the fall, decline toward January and trend upward during the remainder of the year. Equipment loans generally have annual installments that correlate to customer commodity sales.

The following table summarizes our loan portfolio by major category (includes related accrued interest receivable; dollars in thousands):

	December 31,					
	2022		2021		2020	
	Amount	**Percentage**	Amount	Percentage	Amount	Percentage
Accrual loans:						
Long-term agricultural mortgage	**$1,533,014**	**57.2%**	$1,488,628	61.1%	$1,320,832	57.9%
Production and intermediate term	**587,151**	**21.9**	555,411	22.8	546,982	24.0
Agribusiness loans to:						
Cooperatives	**92,985**	**3.5**	58,885	2.4	55,322	2.4
Processing and marketing	**248,177**	**9.3**	162,355	6.7	175,554	7.7
Farm-related business	**34,704**	**1.3**	32,394	1.3	32,083	1.4
Communication	**54,137**	**2.0**	42,411	1.7	39,033	1.7
Energy loans	**44,015**	**1.6**	21,771	0.9	17,375	0.8
Water/wastewater	**8,422**	**0.3**	3,846	0.2	1,614	0.1
Rural residential real estate	**50,979**	**1.9**	59,642	2.5	74,035	3.2
Agricultural export finance	**22,188**	**0.8**	5,602	0.2	6,573	0.3
Nonaccrual loans	**5,214**	**0.2**	5,108	0.2	11,612	0.5
Total loans	**$2,680,986**	**100.0%**	$2,436,053	100.0%	$2,281,015	100.0%

We have no single customer or group of related customers who comprises more than 10.0 percent of our volume or who would have a material effect if they no longer did business with us. Counties in our territory with more than 5.0 percent of total loan volume include Douglas with 5.92 percent.

	December 31,		
	2022	2021	2020
Grain	**34.9%**	37.5%	35.6%
Cow-calf	**14.9**	16.3	15.9
Beef feedlot	**10.2**	10.3	10.9
Landlords/investors	**9.7**	9.7	9.1
Dairy	**2.8**	2.9	2.7
Swine	**2.4**	2.7	3.3
Farm supply	**2.3**	2.0	2.5
Dairy processing	**2.2**	1.4	1.5
Forest products	**1.6**	1.5	1.7
Energy generation/transmission	**1.4**	0.6	0.7
Fertilizer/chemical	**1.2**	1.1	1.1
Feed manufacturing	**1.1**	0.9	1.4
Meat/proteins processing	**1.1**	0.9	1.1
Other	**14.2**	12.2	12.5
Total	**100.0%**	100.0%	100.0%

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

A loan is impaired when it is probable that all amounts due under the contractual terms of the loan agreement will not be collected. All risk loans are considered to be impaired loans. Risk loans include nonaccrual loans, formally restructured loans, and loans that are 90 days or more past due and still accruing interest.

The following table summarizes risk asset and delinquency information (dollars in thousands):

	December 31,		
	2022	2021	2020
Risk loans:			
Nonaccrual	**$5,214**	$5,108	$11,612
Restructured	**637**	58	63
90 days past due still accruing interest*	**160**	–	–
Total risk loans	**6,011**	5,166	11,675
Other property owned, net	**–**	–	–
Total risk assets	**$6,011**	$5,166	$11,675
Risk loans as a percentage of total loans	**0.22%**	0.21%	0.51%
Nonaccrual loans as a percentage of total loans	**0.19%**	0.21%	0.51%
Current nonaccrual loans as a percentage of total nonaccrual loans	**59.3%**	91.4%	51.6%
Total delinquencies as a percentage of total loans	**0.15%**	0.13%	0.37%

**Accruing loans include accrued interest receivable.*

Frontier Farm Credit, ACA

Management's Discussion and Analysis of Financial Condition and Results of Operations

Total risk loans have increased since the end of 2021. The increase in nonaccrual loans is primarily due to accounts in the cow/calf and food processing industries. There was also an increase in restructured loans and loans 90 days past due still accruing interest. It is our practice to transfer accruing loans that are past due 90 days or more into nonaccrual unless they are adequately secured and in the process of collection. Additionally, as risk loans are reviewed, it is not unusual to experience movement between risk classifications. Risk loans as a percentage of total loans remain at acceptable levels.

Our adversely classified assets decreased during 2022, ending the year at 1.02 percent of the portfolio compared to 1.52 percent of the portfolio at December 31, 2021, and 3.65 percent at December 31, 2020. Adversely classified assets are assets that we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

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

Comparative allowance coverage of various loan categories follows:

	December 31,		
	2022	2021	2020
Allowance as a percentage of:			
Total loans	**0.14%**	0.17%	0.43%
Nonaccrual loans	**69.04%**	78.31%	84.40%
Total risk loans	**59.89%**	77.43%	83.94%
Net charge-offs/ (recoveries) as a percentage of average loans	**0.02%**	(0.02)%	0.04%
Adverse assets to risk funds*	**5.75%**	8.26%	19.55%

**Risk funds include permanent capital and allowance for loan losses.*

In our opinion, the allowance for loan losses at December 31, 2022, is adequate to provide for probable and estimable losses in the loan portfolio.

Current Expected Credit Loss Adoption

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

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

As a result of adoption of this guidance, the allowance for loan losses increased by $400 thousand, and the reserve for unfunded commitments decreased $500 thousand. The increase in the allowance for loan losses is largely due to the requirement of the standard to estimate losses to the assets' contractual maturities, resulting in an increase of allowances attributable to our long-term real estate portfolios. Partially offsetting the increase are modest decreases in allowance attributable to our short-term operating portfolios. The decrease in allowance for unfunded commitments is largely due to the requirement of the standard to estimate losses to the assets' contractual maturities, resulting in a decrease of allowance attributable to our short-term operating portfolios. Additional information related to the adoption of this new guidance is included in Note 2 to the accompanying Consolidated Financial Statements.

Results of Operations

The following table provides profitability information:

	December 31,		
	2022	2021	2020
Net income (in thousands)	**$50,279**	$51,177	$45,575
Return on average assets	**1.90%**	2.13%	2.04%
Return on average members' equity	**9.22%**	9.92%	9.30%

Changes to our return on average assets and return on average members' equity are related directly to the changes in assets discussed in the "Loan Portfolio" section, and the changes in members' equity are discussed in the "Members' Equity" section.

Major components of the changes in net income for 2022, 2021 and 2020 are outlined in the following table (dollars in thousands):

	For the year ended December 31,			Increase (decrease) in net income	
	2022	2021	2020	**2022 vs. 2021**	2021 vs. 2020
Net interest income	**$63,221**	$59,189	$55,132	**$4,032**	$4,057
Provision for credit losses	**286**	(6,299)	1,325	**(6,585)**	7,624
Noninterest income	**23,202**	21,474	17,908	**1,728**	3,566
Noninterest expense	**35,858**	35,770	26,140	**(88)**	(9,630)
Provision for income taxes, net	**–**	15	–	**15**	(15)
Net income	**$ 50,279**	$51,177	$45,575	**$ (898)**	$5,602

The effects on net interest income from changes in average volumes and rates are presented in the following table (dollars in thousands):

	2022 vs. 2021	2021 vs. 2020
Change in volume	**$5,809**	$4,143
Change in interest rates	**(1,609)**	20
Change in nonaccrual income	**(168)**	(106)
Net change	**$4,032**	$4,057

The net interest margin was 2.52 percent in 2022 compared to 2.60 percent in 2021 and 2.60 percent in 2020. During 2022, our average earning assets grew at a greater pace than our net interest income over 2021.

Net interest income included income on nonaccrual loans that totaled $(118) thousand in 2022, $50 thousand in 2021 and $156 thousand in 2020. Nonaccrual interest income is recognized when:

- received in cash,
- collection of the recorded investment is fully expected, and
- prior charge-offs have been recovered.

We recorded a $286 thousand provision for credit losses for 2022 compared to a $(6.3) million provision for credit losses for 2021 and $1.3 million for 2020. In 2021, we incorporated a change in our estimated collateral values for our agricultural real estate portfolio driving the $(6.3) million provision in 2021. The provision for credit losses includes the provision for loan losses and the provision for unfunded lending commitments. The reserve for unfunded lending commitments balance at December 31, 2022, was $1.1 million compared to $1.0 million in 2021 and $1.1 million in 2020. The reserve for unfunded lending commitments is based on our best estimate of losses inherent in lending commitments made to customers but not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement were utilized in determining this contingency.

We recorded net charge-offs of $586 thousand in 2022 (0.02 percent of average loans). We recorded net recoveries of charge-offs of $399 thousand in 2021 (0.02 percent of average loans). We recorded net charge-offs of $825 thousand in 2020 (0.04 percent of average loans).

The increase in noninterest income is primarily due to an increase in CoBank, ACB patronage and insurance income slightly offset by a reduction in loan fees. CoBank, ACB patronage income is more fully described under "CoBank, ACB Patronage Income" later in this section of the annual report.

The increase in noninterest expense is primarily due to the sharing of expenses with Farm Credit Services of America (FCSAmerica) as part of the strategic alliance and the FCSIC Insurance Fund premium. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time. The Farm Credit System insurance expense increased in 2022 primarily due to an increase in the Insurance Fund premium rate on Systemwide-adjusted insured debt. The premium rate, which is primarily impacted by System growth, was 20 basis points for 2022, compared to 16 basis points for 2021, and eight basis points for the first half of 2020 and 11 basis points for the second half of 2020. The FCSIC has announced premiums will be 18 basis points for 2023. See Note 1 to the accompanying Consolidated Financial Statements for additional information on the Insurance Fund.

Patronage Program

Our Board adopted a patronage program for eligible customers in 2022. Our Board has adopted patronage programs annually for nearly two decades. The 2022 program is based on each customer's average daily balance of eligible loans outstanding during the year on eligible originations, participations purchased and participations sold volume. The patronage program is a distribution of earnings to our eligible stockholders and is a qualified (cash) distribution referred to as a cash-back dividend. We recorded a patronage liability of $22.7 million in December 2022 to be paid in 2023.

The 2021 and 2020 patronage programs were based on each customer's average daily balance of eligible loans outstanding during the year on eligible originations and participations purchased. We recorded a patronage liability of $20.5 million in December 2021 and $23.6 million in 2020.

Frontier Farm Credit, ACA

Management's Discussion and Analysis of Financial Condition and Results of Operations

Our Board also has adopted a patronage program for 2023. The 2023 patronage program will be based on each customer's average daily balance of eligible loans outstanding during 2023 to be paid in 2024 on eligible originations, participations purchased and participations sold volume.

CoBank, ACB Patronage Income

We receive patronage from CoBank, ACB at the discretion of CoBank, ACB's Board of Directors. Patronage is paid in cash and stock.

We received patronage income based on the average balance of our note payable to CoBank, ACB. Changes in our note payable to CoBank, ACB caused the variance in the patronage income amounts.

A breakdown of patronage income received is shown in the following table (dollars in thousands):

	For the 12 months ended December 31,		
	2022	2021	2020
Patronage from CoBank, ACB	**$11,479**	$ 9,968	$7,584
AgDirect, LLP partnership distribution	**1,062**	731	671
Other patronage	**155**	51	79
Total patronage income	**$12,696**	$10,750	$8,334
Form of patronage distributions:			
Cash	**$12,625**	$10,713	$8,295
Stock	**71**	37	39
Total patronage income	**$12,696**	$10,750	$8,334

Funding and Liquidity

Our approach to sustaining sufficient liquidity to fund operations and meet current obligations is to maintain an adequate line of credit with CoBank, ACB. As of December 31, 2022, we had a $2.4 billion revolving line of credit with CoBank, ACB. We generally apply excess cash to this line of credit. Due to the cooperative structure of the Farm Credit System, and as we are a stockholder of CoBank, ACB, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

As described in Note 7 to the accompanying Consolidated Financial Statements, this line of credit is governed by a General Financing Agreement and is collateralized by a pledge of substantially all of our assets and is also subject to regulatory borrowing limits. The line of credit will be renegotiated periodically. We expect this line of credit to be sufficient to fund our operations. The note payable related to this line of credit reprices monthly. Our average cost of funds is variable and may fluctuate based on the current interest rate environment.

At December 31, 2022, the direct loan average balance was $2.1 billion, compared to $1.9 billion at the end of 2021 and $1.7 billion at the end of 2020. At December 31, 2022, the actual loan balance was $2.2 billion, compared to $2.0 billion at the end of 2021 and $1.9 billion at the end of 2020. At December 31, 2022, the direct loan interest rate was 2.21 percent compared to 0.75 percent at December 31, 2021, and 0.89 percent at December 31, 2020.

The interest rate risk inherent in our loan portfolio is substantially mitigated through this funding relationship. CoBank, ACB manages interest rate risk through its direct loan pricing and asset/liability management processes. The direct loan pricing mechanism simulates matching the cost of underlying debt with substantially the same terms as the anticipated terms of our loans to customers. The primary risks we manage include pipeline risk and basis risk. Pipeline risk occurs when we commit a fixed interest rate to a customer in advance of the loan's closing date and is effectively mitigated through the use of rate-lock agreements. Basis risk occurs when the interest rate on a loan reprices according to one index, while the debt supporting that loan reprices according to another index.

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

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

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

During 2022, we offered our customers a fixed rate line of credit program for our operating loans. The balance of this program at December 31, 2022, was $171.6 million.

Management's Discussion and Analysis of Financial Condition and Results of Operations

We provide financing to eligible customers with various interest rate programs. New loans are priced with consideration given to local competitive conditions, the cost of debt that will be incurred to fund the loan, the individual risk elements of the loan and profit objectives. Interest on real estate loans is generally paid in full annually, while interest on agricultural production loans is generally paid in full at the annual renewal date of the loan.

We offer variable-rate loan products that include variable-rate loans repriced at our discretion, as dictated by market conditions, and market-indexed variable-rate loans that provide customers with the option of indexing their interest rate to external market indices such as the SOFR or the prime rate.

We also offer fixed-rate operating loans for up to 24 months, fixed-rate installment loans for up to 10 years and fixed-rate mortgage loans in yearly increments from five to 35 years.

Additionally, we offer real estate adjustable-rate loans that are indexed to one-, three- or five-year U.S. Department of the Treasury rates. The loans reprice at one-, three- or five-year intervals at a rate equal to the corresponding U.S. Department of the Treasury rate plus a contractual spread. The one-, three- or five-year adjustable-rate loans are generally subject to periodic caps ranging from 2.0 percent to 2.50 percent with a 6.0 percent life cap. The cost of debt supporting these loans is capped accordingly.

We also offer a prepayment-restricted loan product. This is a fixed-rate product with a prepayment penalty provision if prepayments are made during the initial three, five or seven years of the loan term. For agreeing to restricted prepayments, the customer receives a reduced interest rate that remains in effect for the entire loan term.

A breakdown of the loan portfolio by rate type, as a percentage of total volume at December 31, is shown in the following table:

	December 31,		
	2022	2021	2020
Variable rate	**33.9%**	37.4%	40.4%
Fixed rate	**66.0**	62.5	59.4
Adjustable rate	**0.1**	0.1	0.2
	100.0%	100.0%	100.0%

Members' Equity

Our equity structure is described in Note 8 to the accompanying Consolidated Financial Statements. Members' equity increased to $551.8 million at December 31, 2022, compared to $524.2 million at December 31, 2021, and $493.2 million at December 31, 2020. The increase in 2022 was due to net income recorded in 2022, less patronage accrued. Members' equity as a percentage of total assets decreased slightly to 19.6 percent at December 31, 2022, compared to 20.5 percent at December 31, 2021, and 20.7 percent at December 31, 2020.

Effective January 1, 2023, we adopted the CECL accounting guidance. The adoption of this guidance resulted in a cumulative-effect adjustment to equity at January 1, 2023. Refer to Note 2 to the accompanying Consolidated Financial Statements for additional information regarding the CECL adoption and cumulative-effect adjustment to equity.

In January 2020, we implemented the Farm Credit Administration's exclusion of at-risk capital stock that is financed with a noninterest-bearing obligation from Tier 1/Tier 2 regulatory capital. The impact of the change on our regulatory capital ratios was immaterial. Additionally, the balance sheet treatment of the noninterest-bearing receivable was reclassified to contra equity in the amount of $8.5 million. This change did not have a material impact on our financial condition, results of operations, cash flows or financial statement disclosures.

The Farm Credit Administration regulations require us to maintain minimums for our common equity Tier 1, Tier 1 capital, total capital and permanent capital risk-based capital ratios. In addition, the Farm Credit Administration requires us to maintain minimums for our non-risk-adjusted ratios of Tier 1 leverage and unallocated retained earnings and equivalents (UREE) leverage.

	As of December 31,			Regulatory Minimums	Minimums With Buffers
	2022	2021	2020		
Risk-adjusted ratios:					
Common equity Tier 1	**15.95%**	17.32%	17.30%	**4.5%**	**7.0%**
Tier 1 capital	**15.95%**	17.32%	17.30%	**6.0%**	**8.5%**
Total capital	**16.11%**	17.51%	17.79%	**8.0%**	**10.5%**
Permanent capital	**15.97%**	17.35%	17.37%	**7.0%**	**7.0%**
Non-risk-adjusted ratios:					
Tier 1 leverage	**18.13%**	19.16%	19.16%	**4.0%**	**5.0%**
UREE leverage	**18.13%**	21.13%	21.03%	**1.5%**	**1.5%**

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

Frontier Farm Credit, ACA
Management's Discussion and Analysis of Financial Condition and Results of Operations

Capital ratios are directly impacted by changes in capital, assets and off-balance sheet commitments. Refer to the Loan Portfolio section for further discussion of the changes in assets. Additional discussion of regulatory ratios and members' equity information is included in Note 8, and off-balance sheet commitments are discussed in Note 12 to the accompanying Consolidated Financial Statements.

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 Farm Credit Administration approval. We do not foresee any events that would result in this prohibition in 2023.

Relationship With CoBank, ACB

We borrow from CoBank, ACB to fund our lending operations in accordance with the Farm Credit Act of 1971, as amended. Approval from CoBank, ACB is required for us to borrow elsewhere. A General Financing Agreement, as discussed in Note 7 to the accompanying Consolidated Financial Statements, governs this lending relationship. The interest rate may be periodically adjusted by CoBank, ACB based on the terms and conditions of the General Financing Agreement.

At December 31, 2022, our investment in CoBank, ACB is in the form of Class A stock with a par value of $100 per share.

We receive patronage income based on the annual average daily balance of our note payable to CoBank, ACB. CoBank, ACB's Board of Directors sets the patronage rates.

Due to the nature of our financial relationship with CoBank, ACB, the financial condition and results of operations of CoBank, ACB materially impact our stockholders' investments in Frontier Farm Credit. To request a free copy of the combined CoBank, ACB financial reports, contact us at PO Box 2409, Omaha, NE 68103-2409, (800) 531-3905 or via email to $sr@frontierfarmcredit.com. You may also obtain copies by accessing CoBank, ACB's website, cobank.com. Annual reports are available no later than 75 days after the end of the calendar year, and quarterly reports are available no later than 40 days after the end of each calendar quarter.

Relationship With Farm Credit Services of America, ACA

We continue to be in a strategic alliance with FCSAmerica, designed to benefit the farmers and ranchers who own and support the two financial services cooperatives by ensuring that both Associations have the strength and capacity to serve agricultural customers' needs for years to come.

We exist as separate Associations while integrating our day-to-day business operations, technology systems and leadership teams. Each Association continues to have its own Board, with representatives participating in a coordinating committee to facilitate Board governance between the two organizations.

Under the alliance agreement, Frontier Farm Credit and FCSAmerica have agreed to share current-year income and expenses based generally on the average total assets of each entity for the prior calendar year. For the year ending December 31, 2022, pretax net income was shared on fixed percentages of 6.3 and 93.7 percent for Frontier Farm Credit and FCSAmerica, respectively. For the year ending December 31, 2022, Frontier Farm Credit recorded $25.3 million of net operating expenses under the income- and expense-sharing provisions of the alliance agreement primarily due to incurred expenses by FCSAmerica for Frontier Farm Credit associated expenses. The net operating expenses recorded by Frontier Farm Credit were $26.1 million for the year ended December 31, 2021, and $17.2 million for the year ended December 31, 2020. The net operating expenses specifically attributable to salaries and employee benefits, and occupancy and equipment expense are recorded in their respective accounts on our Consolidated Statements of Income. The remainder of the allocation is a net recording to "Other operating expenses" on our Consolidated Statements of Income. Depending on the activity in each Association, this allocation can result in the recording of an operating expense credit.

Frontier Farm Credit has $2.8 billion in assets and serves multiple counties in eastern Kansas. FCSAmerica has $40.4 billion in assets and serves the states of Iowa, Nebraska, South Dakota and Wyoming.

AgDirect®, LLP

We participate in the AgDirect, LLP trade credit financing program, which includes origination and refinancing of agricultural equipment loans and leases through independent equipment dealers. The program is facilitated by FCSAmerica through a limited liability partnership (LLP) in which we are a partial owner. Our investment in AgDirect, LLP was $8.3 million at December 31, 2022, $7.7 million at December 31, 2021, and $5.8 million at December 31, 2020. The LLP is an unincorporated business entity. We also receive a partnership distribution resulting from our participation in the program, which is included in "Patronage income" in the Consolidated Statements of Income.

SunStream Business Services

We purchased various services from AgriBank, FCB until the formation of SunStream Business Services (SunStream) on April 1, 2020, at which time we began purchasing these services from SunStream. The services include tax-reporting services. For further discussion on our relationship with SunStream, see Note 11 to the accompanying Consolidated Financial Statements.

Farm Credit Foundations

We have a relationship with Farm Credit Foundations, a System service corporation, which involves purchasing human resource, benefit, payroll and workforce management services. For further discussion on our relationship with Farm Credit Foundations, see Note 11 to the accompanying Consolidated Financial Statements.

Rural 1st®

We are a participant in the Rural 1st referral program to provide rural home lending to our customers. Rural 1st is a division of Farm Credit Mid-America offering a program that delivers specialized products and services to customers looking to make a move to rural living through recreation land and home purchases, and home-equity and construction projects. We receive noninterest income from Farm Credit Mid-America for loan volume originated in our territory via Rural 1st. For further discussion on our relationship with Rural 1st, see Note 11 to the accompanying Consolidated Financial Statements.

Farm Credit Leasing Services Corporation

We have an agreement with Farm Credit Leasing Services Corporation (FCL), a Farm Credit System service corporation, which specializes in leasing products and provides industry expertise. Leases are originated and serviced by FCL, and we purchase a participation interest in the cash flows of the transaction. This arrangement provides our members with a broad selection of product offerings and enhanced lease expertise. For further discussion on our relationship with FCL, see Note 11 to the accompanying Consolidated Financial Statements.

Rural Business Investment Companies

We and other Farm Credit System institutions are among the limited partners invested in six Rural Business Investment Companies (RBICs). The RBICs facilitate equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. Certain commitments may have an option to extend under specific circumstances. For further discussion, see Note 12 to the accompanying Consolidated Financial Statements.

Frontier Farm Credit, ACA

Report of Management

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

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

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

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

Mark Jensen
President and CEO
March 2, 2023

Craig P. Kinnison
Executive Vice President – CFO
March 2, 2023

Shane Tiffany
Chairperson, Board of Directors
March 2, 2023

Frontier Farm Credit, ACA

Report on Internal Control Over Financial Reporting

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

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

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

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

Mark Jensen

Mark Jensen
President and CEO
March 2, 2023

Craig P. Kinnison

Craig P. Kinnison
Executive Vice President – CFO
March 2, 2023

Frontier Farm Credit, ACA

Report of Audit Committee

The Consolidated Financial Statements of Frontier Farm Credit, ACA (Association) were prepared under the oversight of the Audit Committee. The Audit Committee is composed of four individuals from the Association Board of Directors. In 2022, the Audit Committee met four times. The Audit Committee oversees the scope of the Association's internal audit program, the approval and independence of PricewaterhouseCoopers LLP (PwC) as our independent auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

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

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

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

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors includes the audited Consolidated Financial Statements in the annual report for the year ended December 31, 2022.

Kathy Brick

Kathy Brick
Chair, Audit Committee
Frontier Farm Credit, ACA
March 2, 2023

Audit Committee Members:
Bill Miller
Lee Mueller
Shane Tiffany

Report of Independent Auditors

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

Opinion

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

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pwc

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

Minneapolis, Minnesota
March 2, 2023

Frontier Farm Credit, ACA

Consolidated Balance Sheets

(Dollars in thousands)

	December 31,		
	2022	2021	2020
Assets			
Loans	**$2,649,458**	$2,409,596	$2,254,539
Less allowance for loan losses	**3,600**	4,000	9,800
Net loans	**2,645,858**	2,405,596	2,244,739
Accrued interest receivable	**31,528**	26,457	26,476
Investment in CoBank, ACB	**67,809**	70,099	70,069
Investment in AgDirect, LLP	**8,270**	7,712	5,792
Premises and equipment, net	**20,933**	20,227	20,126
Prepaid benefit expense	**8,702**	6,390	4,691
Other assets	**31,406**	21,482	12,706
Total assets	**$2,814,506**	$2,557,963	$2,384,599
Liabilities			
Notes payable to CoBank, ACB	**$2,211,801**	$1,993,483	$1,854,847
Accrued interest payable	**5,736**	2,157	2,318
Patronage payable	**22,700**	20,500	23,600
Reserve for unfunded lending commitments	**1,100**	1,000	1,100
Accrued benefits liability	**192**	209	228
Other liabilities	**21,162**	16,423	9,291
Total liabilities	**2,262,691**	2,033,772	1,891,384
Commitments and contingencies (Note 12)			
Members' Equity			
At-risk capital:			
Class B common stock	**9,191**	9,151	8,746
Class C common stock	**188**	200	213
Less capital stock receivable (Note 8)	**(9,379)**	(9,351)	(8,959)
Retained earnings	**551,815**	524,191	493,215
Total members' equity	**551,815**	524,191	493,215
Total liabilities and members' equity	**$2,814,506**	$2,557,963	$2,384,599

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

Frontier Farm Credit, ACA

Consolidated Statements of Income

(Dollars in thousands)

	Year Ended December 31,		
	2022	2021	2020
Net Interest Income			
Interest income	**$104,651**	$84,064	$87,216
Interest expense	**41,430**	24,875	32,084
Net interest income	**63,221**	59,189	55,132
Provision for credit losses	**286**	(6,299)	1,325
Net interest income after provision for credit losses	**62,935**	65,488	53,807
Noninterest Income			
Patronage income	**12,696**	10,750	8,334
Insurance services	**4,285**	3,655	2,859
Loan fees	**2,767**	4,188	4,535
Mineral income	**1,865**	1,226	827
FCSIC insurance refund	**–**	–	454
Other noninterest income	**1,589**	1,655	899
Total noninterest income	**23,202**	21,474	17,908
Noninterest Expense			
Salaries and employee benefits	**20,267**	19,954	19,898
Occupancy and equipment expense	**3,660**	3,426	2,863
Other operating expenses	**7,866**	9,385	1,733
Insurance fund premiums	**3,997**	2,852	1,570
Other noninterest expense	**68**	153	76
Total noninterest expense	**35,858**	35,770	26,140
Income before income taxes	**50,279**	51,192	45,575
Provision for income taxes	**–**	15	–
Net income	**$ 50,279**	$51,177	$45,575

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

Frontier Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(Dollars in thousands)

	At-Risk Capital		
	Capital Stock	Retained Earnings	Total Members' Equity
Balance at December 31, 2019	$8,532	$471,360	$479,892
Net income		45,575	45,575
Patronage distribution accrued		(23,600)	(23,600)
Patronage accrual adjustment		(120)	(120)
Capital stock:			
Capital stock and participation certificates issued	1,272		1,272
Capital stock and participation certificates retired	(845)		(845)
Capital stock and participation certificates receivable, net	(8,959)		(8,959)
Balance at December 31, 2020	–	493,215	493,215
Net income		51,177	51,177
Patronage distribution accrued		(20,500)	(20,500)
Patronage accrual adjustment		299	299
Capital stock:			
Capital stock and participation certificates issued	1,154		1,154
Capital stock and participation certificates retired	(762)		(762)
Capital stock and participation certificates receivable, net	(392)		(392)
Balance at December 31, 2021	–	524,191	524,191
Net income		**50,279**	**50,279**
Patronage distribution accrued		**(22,700)**	**(22,700)**
Patronage accrual adjustment		**45**	**45**
Capital stock:			
Capital stock and participation certificates issued	**719**		**719**
Capital stock and participation certificates retired	**(691)**		**(691)**
Capital stock and participation certificates receivable, net	**(28)**		**(28)**
Balance at December 31, 2022	**$ –**	**$551,815**	**$551,815**

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

Frontier Farm Credit, ACA

Consolidated Statements of Cash Flows

(Dollars in thousands)

	Year Ended December 31,		
	2022	2021	2020
Cash Flows from Operating Activities:			
Net income	**$50,279**	$51,177	$45,575
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	**286**	(6,299)	1,325
Stock patronage received from Farm Credit institutions	**(37)**	(30)	(30)
Loss on sales of other property owned	**–**	1	–
Gain on sales of premises and equipment	**–**	(35)	(19)
Depreciation on premises and equipment	**862**	841	781
(Increase) decrease in accrued interest receivable	**(5,071)**	19	2,013
Increase (decrease) in accrued interest payable	**3,579**	(161)	(1,219)
Increase in prepaid benefit expense	**(2,312)**	(1,699)	(1,107)
Increase in other assets	**(8,101)**	(7,266)	(863)
Decrease in accrued benefits liability	**(17)**	(19)	(22)
Increase (decrease) in other liabilities	**4,739**	7,132	(5,878)
Total adjustments	**(6,072)**	(7,516)	(5,019)
Net cash provided by operating activities	**44,207**	43,661	40,556
Cash Flows from Investing Activities:			
Increase in loans, net	**(240,448)**	(154,998)	(212,432)
Decrease (increase) in investment in CoBank, ACB	**2,327**	–	(4,970)
Increase in investment in AgDirect, LLP	**(558)**	(1,920)	(1,372)
Purchases of premises and equipment	**(1,568)**	(942)	(562)
Purchases of investment in RBICs	**(1,823)**	(1,510)	(289)
Proceeds from sales of other property owned	**–**	339	–
Proceeds from sales of premises and equipment	**–**	35	19
Net cash used in investing activities	**(242,070)**	(158,996)	(219,606)
Cash Flows from Financing Activities:			
Increase in notes payable, net	**218,318**	138,636	196,870
Patronage paid in cash	**(20,455)**	(23,301)	(17,820)
Net cash provided by financing activities	**197,863**	115,335	179,050
Net increase (decrease) in cash	**–**	–	–
Cash at beginning of year	**–**	–	–
Cash at end of year	**$ –**	$ –	$ –
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Cash patronage distribution declared	**$22,700**	$20,500	$23,600
Supplemental Cash Flow Information:			
Interest paid on notes payable	**$37,852**	$25,035	$33,303
Income taxes paid (net of refunds)	**$(3)**	$ –	$ –

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

Notes to Consolidated Financial Statements

Note 1 – Organization and Operations

Farm Credit System and District

Farm Credit System Lending Institutions

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

CoBank, ACB, a Farm Credit System bank, its affiliated Associations and AgVantis are collectively referred to as the CoBank, ACB District. Frontier Farm Credit is one of the affiliated Associations in the District. CoBank, ACB provides the funding to Associations within the District and is responsible for supervising certain activities of the District Associations. AgVantis, which is owned by the entities it serves, provides technology and other operational services to certain Associations. As of January 1, 2023, the CoBank District consisted of CoBank, ACB; 17 Agricultural Credit Associations (ACA), each of which have two wholly owned subsidiaries; a Federal Land Credit Association (FLCA) and a Production Credit Association (PCA); and AgVantis.

Federal Land Credit Associations are authorized to originate long-term real estate mortgage loans. Production Credit Associations are authorized to originate short-term and intermediate term loans. Agricultural Credit Associations are authorized to originate long-term real estate mortgage loans, and short-term and intermediate term loans either directly or through their subsidiaries. Associations are authorized to provide lease financing options for agricultural purposes and are also authorized to purchase and hold certain types of investments, including mission-related investments.

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

Farm Credit System Regulator

The Farm Credit Administration is authorized by Congress to regulate the Farm Credit System banks and Associations. We are examined by the Farm Credit Administration, and certain Association actions are subject to the prior approval of the Farm Credit Administration and/or CoBank, ACB.

Farm Credit System Insurance Fund

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

At the discretion of the FCSIC, the Farm Credit System Insurance Fund also is available to provide assistance to certain troubled Farm Credit System institutions and for the operating expenses of the FCSIC. Each Farm Credit System bank is required to pay premiums into the Farm Credit System Insurance Fund until the assets in the Farm Credit System Insurance Fund equal 2.0 percent of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments.

This percentage of aggregate obligations can be changed by the FCSIC, at its sole discretion, to a percentage it determines to be actuarially sound. The basis for assessing premiums is debt outstanding with adjustments made for nonaccrual loans and impaired investment securities, which are assessed a surcharge, while guaranteed loans and investment securities are deductions from the premium base. CoBank, ACB, in turn, assesses premiums to its affiliated Associations each year based on similar factors.

Association

Frontier Farm Credit, ACA (ACA) and its subsidiaries, Frontier Farm Credit, FLCA (FLCA) and Frontier Farm Credit, PCA (PCA), collectively referred to as Frontier Farm Credit, are lending institutions of the Farm Credit System. We are a member-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in the counties of Allen, Anderson, Atchison, Bourbon, Brown, Chase, Chautauqua, Cherokee, Clay, Coffey, Crawford, Dickinson, Doniphan, Douglas, Elk, Franklin, Geary, Greenwood, Jackson, Jefferson, Johnson, Labette, Leavenworth, Linn, Lyon, Marion, Marshall, Miami, Montgomery, Morris, Nemaha, Neosho, Osage, Pottawatomie, Riley, Shawnee, Wabaunsee, Washington, Wilson, Woodson and Wyandotte in the state of Kansas. We borrow from CoBank, ACB and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans and provides lease financing options in collaboration with Farm Credit Leasing Services Corporation (FCL) and CoBank, ACB. The PCA makes short-term and intermediate term loans for agricultural production or operating purposes and provides lease financing options in collaboration with FCL and CoBank, ACB. We offer risk management services, including crop, crop hail, multi-peril and livestock insurance for borrowers and those eligible to borrow.

Frontier Farm Credit, ACA
Notes to Consolidated Financial Statements

Relationship With Farm Credit Services of America, ACA

We continue to be in a strategic alliance with Farm Credit Services of America (FCSAmerica), designed to benefit the farmers and ranchers who own and support the two financial services cooperatives by ensuring that both Associations have the strength and capacity to serve agricultural customers' needs for years to come.

We exist as separate Associations while integrating our day-to-day business operations, technology systems and leadership teams. Each Association continues to have its own Board, with representatives participating in a coordinating committee to facilitate Board governance between the two organizations.

Under the alliance agreement, Frontier Farm Credit and FCSAmerica have agreed to share current-year income and expenses based generally on the average total assets of each entity for the prior calendar year. For the year ending December 31, 2022, pretax net income was shared on fixed percentages of 6.3 and 93.7 percent for Frontier Farm Credit and FCSAmerica, respectively. For the year ending December 31, 2022, Frontier Farm Credit recorded $25.3 million of net operating expenses under the income- and expense-sharing provisions of the alliance agreement primarily due to incurred expenses by FCSAmerica for Frontier Farm Credit associated expenses. The net operating expenses recorded by Frontier Farm Credit were $26.1 million for the year ended December 31, 2021, and $17.2 million for the year ended December 31, 2020. The net operating expenses specifically attributable to salaries and employee benefits, and occupancy and equipment expenses are recorded in their respective accounts on our Consolidated Statements of Income. The remainder of the allocation is a net recording to "Other operating expenses" on our Consolidated Statements of Income. Depending on the activity in each Association, this allocation can result in the recording of an operating expense credit.

Frontier Farm Credit has $2.8 billion in assets and serves multiple counties in eastern Kansas. FCSAmerica has $40.4 billion in assets and serves the states of Iowa, Nebraska, South Dakota and Wyoming.

Relationship With Rural 1st

We are a participant in the Rural 1st referral program to provide rural home lending to members. Rural 1st is a division of Farm Credit Mid-America offering a program that delivers specialized products and services to customers looking to make a move to rural living through recreation land and home purchases, and home-equity and construction projects. We receive noninterest income from Farm Credit Mid-America for loan volume originated in our territory via Rural 1st.

Relationship With Farm Credit Leasing Services Corporation

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

Note 2 – Summary of Significant Accounting Policies

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America and prevailing practices within the financial services industry.

Preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements as well as the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Certain amounts in prior years' financial statements have been reclassified to conform to the current year's presentation. The Consolidated Financial Statements present the consolidated financial results of Frontier Farm Credit, ACA (the parent), and Frontier Farm Credit, FLCA and Frontier Farm Credit, PCA (the subsidiaries), collectively referred to as Frontier Farm Credit. All material intercompany transactions and balances have been eliminated in consolidation.

The following are our significant accounting policies:

Loans

Mortgage-loan terms range from five to 35 years at origination. Commercial loans are made for agricultural production or operating purposes with original terms of 10 years or less. Other operating loans have original terms up to 24 months.

Loans are carried at their principal amount outstanding, net of any unearned income, cumulative charge-offs and unamortized premiums or discounts on purchased loans. Loan interest is accrued and credited to interest income based on the daily principal amount outstanding.

We place loans in nonaccrual status when:

- principal or interest is delinquent for 90 days or more (unless the loan is adequately secured and in the process of collection), or
- circumstances indicate that full collection is not expected.

When a loan is placed in nonaccrual status, we reverse accrued interest, if accrued in the current year. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and the loan does not have any unrecovered prior charge-offs. Nonaccrual loans may be returned to accrual status when principal and interest are current, the customer's ability to fulfill the contractual payment terms is fully expected, and, if the loan was past due when placed in nonaccrual status, the loan has evidence of sustained performance in making on-time contractual payments.

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

Loans are charged off at the time they are determined to be uncollectible.

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

Allowance for Loan Losses and Reserve for Unfunded Lending Commitments

The allowance for loan losses is an estimate of incurred losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as:

- loan loss history,
- changes in credit risk classifications,
- changes in collateral values,
- changes in risk concentrations, and
- changes in economic and environmental conditions.

Loans in our portfolio that are considered impaired are analyzed individually to establish a specific allowance. A loan is impaired when it is probable that all amounts due under the contractual terms of the loan agreement will not be collected. We generally measure impairment based on the net realizable value of the collateral. All risk loans are considered to be impaired loans.

Risk loans include:

- nonaccrual loans,
- formally restructured loans, and
- loans that are 90 days or more past due and still accruing interest.

We record a specific allowance to reduce the carrying amount of the risk loan to the lower of book value or the net realizable value of collateral. When collection is unlikely, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

An allowance is recorded for probable and estimable credit losses as of the financial statement date for loans that are not individually assessed as impaired. We use a two-dimensional loan-risk rating model that incorporates a 14-point rating scale to identify and track the probability of borrower default and a separate six-point scale addressing the loss severity. The combination of estimated default probability and loss severity is the primary basis for recognition and measurement of loan collectability of these pools of loans. These estimated losses may be adjusted for relevant current environmental factors.

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

The reserve for unfunded lending commitments is based on our best estimate of losses inherent in lending commitments made to customers but not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement were utilized in determining this contingency. Changes in the reserve for unfunded commitments consist of provision activity, recorded as "Provision for credit losses" in the Consolidated Statements of Income.

Investment in CoBank, ACB

Our required investment in CoBank, ACB is in the form of Class A stock. The minimum required investment is 3.0 percent of the prior one-year average direct loan volume. The investment in CoBank, ACB comprises patronage-based stock and purchased stock. The requirement for capitalizing patronage-based participation loans sold to CoBank, ACB is 7.0 percent of the prior 10-year average of such participations sold to CoBank, ACB.

Investment in AgDirect, LLP

Accounting for our investment in AgDirect, LLP is on a cost basis.

Frontier Farm Credit, ACA

Notes to Consolidated Financial Statements

Other Property Owned

We record other property owned, consisting of real and personal property acquired through a collection action, at fair value, less estimated selling costs at the time of acquisition. 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. Revised estimates of the fair value, less estimated selling costs, are reported as adjustments to the carrying amount of the asset, provided that the adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations, carrying value adjustments and realized gains or losses on sales are included in the "Other noninterest income" or "Other noninterest expense" in the Consolidated Statements of Income.

Investment in Rural Business Investment Companies

The carrying amount of the investments in the Rural Business Investment Companies, in which we are a limited partner and hold noncontrolling interests, are accounted for under the equity method. The investments are assessed for impairment. If impairment exists, losses are included in "Other noninterest expense," net on the Consolidated Statements of Income in the year of impairment.

Premises and Equipment

The carrying amount of premises and equipment is at cost, less accumulated depreciation. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets. Depreciation and maintenance and repair expenses are included in the "Occupancy and equipment expense" in the Consolidated Statements of Income and improvements are capitalized.

Leases

We operate under an agreement with CoBank, ACB through which we purchase a participation in loans made by CoBank, ACB to FCL to fund capital markets leases, agricultural equipment leases and agricultural facilities leases that we originate. Under provisions of this agreement, FCL typically participates 50.0 percent funding for these leases to CoBank, ACB, and CoBank, ACB participates a similar amount to us. Lease participations purchased under this agreement are included in "Loans" on the Consolidated Balance Sheets.

Advance Conditional Payments

We are authorized under the Farm Credit Act to accept advance conditional payments from customers. We net the advance conditional payments against the customer's related loan balance to the extent that the real estate customer's loan balance exceeds the advance payments. The amount of commercial advance conditional payments accepted cannot exceed the commitment amount of the customer's note. We classify commercial advance conditional payments as "Other liabilities" on the Consolidated Balance Sheets because the limit on commercial advance conditional payments is based on note commitments. We pay interest on advance conditional payments and they are not insured.

Employee Benefit Plans

Our employees participate in a defined contribution plan and/or pension plan. Benefit plans are described in Note 9. The costs of the defined contribution plan are funded as accrued. Additionally, we provide a retiree health care benefit to retired employees who met specific age and service requirements.

Income Taxes

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

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

Patronage Program

We accrue an estimated patronage payable after it is declared by the Board of Directors, normally in December of each year. After year-end eligible average daily balances are calculated, we record a patronage accrual adjustment in the year of payment. We pay the accrued patronage before September 15 of each subsequent year. Cash patronage distributions are referred to as cash-back dividends.

Statement of Cash Flows

For purposes of reporting cash flow, cash includes cash on hand and on deposit at commercial banks.

Off-Balance Sheet Credit Exposures

Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions.

Fair Value Measurement

The Financial Accounting Standards Board guidance on "Fair Value Measurements" describes three levels of inputs that may be used to measure fair value.

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

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

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

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect our own 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.

We currently have no material financial-statement items required to be accounted for within the Consolidated Financial Statements at fair value on a recurring basis.

Frontier Farm Credit, ACA

Notes to Consolidated Financial Statements

Recently Issued or Adopted Accounting Pronouncements

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

Standard and Effective Date	Description	Financial Statement Impact
In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2022-04 "Reference Rate Reform (Topic 848)." In January 2021, the Financial Accounting Standards Board issued ASU 2021-01 further amending Topic 848. This guidance may be elected and applied prospectively over time beginning March 12, 2020. In December 2022, the Financial Accounting Standards Board issued ASU 2022-06 "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848," which deferred the sunset date of Topic 848 to December 31, 2024. After December 31, 2024, entities will no longer be permitted to apply the relief in Topic 848.	The guidance provides optional expedients and exceptions for applying generally accepted accounting principles to contracts and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate.	During March 2021, we adopted this standard. Additionally, we intend to apply the relief granted in the extension. To date, the adoption of this standard has not had a material impact on our financial condition, results of operations, cash flows and financial statement disclosures.
In June 2016, the Financial Accounting Standards Board issued ASU 2016-13 "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The guidance was originally effective for non-U.S. Securities and Exchange Commission filers for our first quarter of 2021. In November 2019, the Financial Accounting Standards Board issued ASU 2019-10, which amended the mandatory effective date for this guidance for certain institutions. We qualified for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	We adopted this standard on January 1, 2023. As a result of adoption of this guidance, the allowance for loan losses increased by $400 thousand and the reserve for unfunded commitments decreased by $500 thousand with a cumulative-effect increase of $100 thousand, net of tax balances, to retained earnings of $100 thousand.
In March 2022, the Financial Accounting Standards Board issued ASU 2022-02 "Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures." The guidance is effective at the same time that ASU 2016-13 is adopted.	This guidance eliminates the accounting guidance for troubled debt restructurings by creditors in Subtopic 310-40, "Receivables – Troubled Debt Restructurings by Creditors," while enhancing disclosure requirements for certain loan refinancings and restructurings.	We adopted the standard on January 1, 2023. The adoption of this guidance did not have a material impact on our financial statements but will modify certain disclosures beginning with our first-quarter 2023 Quarterly Report.

Note 3 – Loans and Allowance for Loan Losses

Loans, including participations purchased and nonaccruals, consisted of the following (dollars in thousands):

	December 31,					
	2022		2021		2020	
	Amount	**Percentage**	Amount	Percentage	Amount	Percentage
Long-term agricultural mortgage	**$1,514,583**	**57.2%**	$1,473,033	61.2%	$1,308,499	58.0%
Production and intermediate term	**579,811**	**21.9**	549,707	22.8	543,668	24.1
Agribusiness	**375,811**	**14.2**	253,649	10.5	262,591	11.7
Rural infrastructure	**106,335**	**4.0**	67,958	2.8	57,964	2.6
Rural residential real estate	**50,911**	**1.9**	59,653	2.5	75,250	3.3
Agricultural export finance	**22,007**	**0.8**	5,596	0.2	6,567	0.3
Total loans	**$2,649,458**	**100.0%**	$2,409,596	100.0%	$2,254,539	100.0%

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

As of December 31, 2022, volume plus commitments, excluding government-guaranteed portions of loans, to our 10 largest borrowers totaled an amount equal to 6.5 percent of total loans and commitments.

While the amounts represent our maximum potential credit risk related to recorded loan principal, a substantial portion of our lending activities is collateralized, which reduces our exposure to credit loss associated with lending activity. We include an estimate of our credit-risk exposure in determining the allowance for loan losses.

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on our credit evaluation of the borrower. Collateral held varies by loan type but typically includes agricultural real estate, equipment, crop inventory and livestock. Long-term real estate loans are secured by a first lien on the underlying real property.

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Notes to Consolidated Financial Statements

We may purchase or sell participation interests with other parties to diversify risk, manage loan volume or comply with the limitations of the Farm Credit Administration regulations or the General Financing Agreement with CoBank, ACB. The following table presents information regarding participations purchased and sold (participations purchased do not include syndications; dollars in thousands):

	CoBank, ACB		Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations		Participations		Participations		Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
As of December 31, 2022								
Long-term agricultural mortgage	**$ –**	**$16,568**	**$ 61,465**	**$ 49,151**	**$ –**	**$ –**	**$ 61,465**	**$ 65,719**
Production and intermediate term	**8,932**	**2,130**	**243,376**	**93,779**	**–**	**–**	**252,308**	**95,909**
Agribusiness	**15,661**	**–**	**353,338**	**13,113**	**–**	**–**	**368,999**	**13,113**
Rural infrastructure	**4,524**	**–**	**101,811**	**–**	**–**	**–**	**106,335**	**–**
Agricultural export finance	**–**	**–**	**22,007**	**–**	**–**	**–**	**22,007**	**–**
Total	**$29,117**	**$18,698**	**$781,997**	**$156,043**	**$ –**	**$ –**	**$811,114**	**$174,741**
As of December 31, 2021								
Long-term agricultural mortgage	$ –	$13,296	$ 60,432	$ 33,006	$ –	$ –	$ 60,432	$ 46,302
Production and intermediate term	8,487	1,092	229,347	86,864	–	–	237,834	87,956
Agribusiness	32,232	–	219,608	28,940	–	–	251,840	28,940
Rural infrastructure	4,810	–	63,148	–	–	–	67,958	–
Agricultural export finance	–	–	5,596	–	–	–	5,596	–
Total	$45,529	$14,388	$578,131	$148,810	$ –	$ –	$623,660	$163,198
As of December 31, 2020								
Long-term agricultural mortgage	$ –	$12,576	$ 80,463	$ 26,029	$ –	$ –	$ 80,463	$ 38,605
Production and intermediate term	8,630	1,717	204,063	50,019	–	–	212,693	51,736
Agribusiness	41,318	–	217,368	42,450	3,497	–	262,183	42,450
Rural infrastructure	5,080	–	52,884	–	–	–	57,964	–
Agricultural export finance	–	–	6,567	–	–	–	6,567	–
Total	$55,028	$14,293	$561,345	$118,498	$3,497	$ –	$619,870	$132,791

Participations purchased increased $187.5 million in 2022, while participations sold increased $11.5 million. The increases in purchased participations are primarily due to activity in the production and intermediate term, agribusiness and rural infrastructure portfolios.

Risk loans (accruing loans include accrued interest receivable) are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. The following table presents information concerning the recorded investment in risk loans (dollars in thousands):

	December 31,		
	2022	2021	2020
Nonaccrual loans:			
Current as to principal and interest	**$3,093**	$4,670	$ 5,987
Past due	**2,121**	438	5,625
Total nonaccrual loans	**5,214**	5,108	11,612
Impaired accrual loans:			
Restructured	**637**	58	63
90 days or more past due	**160**	–	–
Total risk loans	**$6,011**	$5,166	$11,675

Total risk loans have increased slightly since the end of 2021. The increase in risk loans primarily results from an increase in loans made to customers for agribusiness loans slightly offset by decreases in loans made to customers for long-term agricultural mortgage and production and intermediate term loans. There was an increase in restructured loans made to customers for agribusiness loans, and in loans 90 days past due still accruing interest made to customers for production and intermediate term loans. Additionally, as risk loans are reviewed, it is not unusual to experience movement between risk classifications. It is our practice to transfer accruing loans that are past due 90 days or more into nonaccrual unless they are adequately secured and in the process of collection. Risk loans as a percentage of total loans remain at acceptable levels.

At December 31, 2022, there were approximately $186 thousand in commitments to lend additional funds to customers whose loans were at risk.

Interest income is recognized and cash payments are applied on nonaccrual loans as described in Note 2. The following table sets forth interest income recognized on risk loans (dollars in thousands):

	Year Ended December 31,		
	2022	2021	2020
Interest income recognized on nonaccrual loans	**$(118)**	$ 50	$156
Interest income recognized on risk accrual loans	**104**	51	213
Interest income recognized on risk loans	**$ (14)**	$101	$369

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Risk assets are as follows (accruing volume includes accrued interest receivable; dollars in thousands):

	December 31,		
	2022	2021	2020
Nonaccrual loans:			
Long-term agricultural mortgage	**$3,066**	$3,478	$ 6,752
Production and intermediate term	**574**	700	2,965
Agribusiness	**1,555**	811	390
Rural residential real estate	**19**	119	1,505
Total nonaccrual loans	**$5,214**	$5,108	$11,612
Accruing restructured loans:			
Long-term agricultural mortgage	**$54**	$58	$63
Agribusiness	**583**	–	–
Total accruing restructured loans	**$637**	$58	$63
Accruing loans 90 days or more past due:			
Production and intermediate term	**$160**	$ –	$ –
Total accruing loans 90 days or more past due	**$160**	$ –	$ –
Total risk loans	**6,011**	5,166	11,675
Other property owned	**–**	–	–
Total risk assets	**$6,011**	$5,166	$11,675

All risk loans are considered to be impaired loans. The following table provides additional impaired loan information (dollars in thousands):

	As of December 31, 2022			For the Period Ended December 31, 2022	
	Recorded Investment [1]	Unpaid Principal Balance [2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Production and intermediate term	$ –	$ –	$ –	$ –	$(4)
Agribusiness	1,112	1,147	480	383	–
Total	$1,112	$1,147	$480	$383	$(4)
Impaired loans with no related allowance for loan losses:					
Long-term agricultural mortgage	$3,120	$4,132	$ –	$ 5,214	$(111)
Production and intermediate term	734	2,733	–	2,741	30
Agribusiness	1,026	1,873	–	2,065	71
Rural residential real estate	19	26	–	51	–
Total	$4,899	$8,764	$ –	$10,071	$ (10)
Total impaired loans:					
Long-term agricultural mortgage	$3,120	$4,132	$ –	$ 5,214	$(111)
Production and intermediate term	734	2,733	–	2,741	26
Agribusiness	2,138	3,020	480	2,448	71
Rural residential real estate	19	26	–	51	–
Total	$6,011	$9,911	$480	$10,454	$ (14)

[1] 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 write-down of the investment.
[2] Unpaid principal balance represents the contractual principal balance of the loan.

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	As of December 31, 2021			For the Period Ended December 31, 2021	
	Recorded Investment [1]	Unpaid Principal Balance [2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Production and intermediate term	$ –	$ –	$ –	$–	$(2)
Agribusiness	603	654	368	55	–
Total	$603	$654	$368	$55	$(2)
Impaired loans with no related allowance for loan losses:					
Long-term agricultural mortgage	$3,536	$4,986	$ –	$ 6,789	$ 28
Production and intermediate term	700	2,149	–	3,636	57
Agribusiness	208	967	–	1,023	–
Rural residential real estate	119	132	–	359	18
Total	$4,563	$8,234	$ –	$11,807	$103
Total impaired loans:					
Long-term agricultural mortgage	$3,536	$4,986	$ –	$ 6,789	$ 28
Production and intermediate term	700	2,149	–	3,636	55
Agribusiness	811	1,621	368	1,078	–
Rural residential real estate	119	132	–	359	18
Total	$5,166	$8,888	$368	$11,862	$101

[1] 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 write-down of the investment.
[2] Unpaid principal balance represents the contractual principal balance of the loan.

	As of December 31, 2020			For the Period Ended December 31, 2020	
	Recorded Investment [1]	Unpaid Principal Balance [2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Long-term agricultural mortgage	$ 644	$ 644	$431	$ 484	$ (5)
Production and intermediate term	661	668	182	244	(13)
Agribusiness	–	–	–	1,151	149
Total	$1,305	$1,312	$613	$1,879	$131
Impaired loans with no related allowance for loan losses:					
Long-term agricultural mortgage	$ 6,171	$ 7,487	$ –	$ 9,388	$ 80
Production and intermediate term	2,304	4,682	–	5,034	147
Agribusiness	390	1,098	–	1,876	(1)
Rural infrastructure	–	–	–	2	–
Rural residential real estate	1,505	1,538	–	1,159	12
Total	$10,370	$14,805	$ –	$17,459	$238
Total impaired loans:					
Long-term agricultural mortgage	$ 6,815	$ 8,131	$431	$ 9,872	$ 75
Production and intermediate term	2,965	5,350	182	5,278	134
Agribusiness	390	1,098	–	3,027	148
Rural infrastructure	–	–	–	2	–
Rural residential real estate	1,505	1,538	–	1,159	12
Total	$11,675	$16,117	$613	$19,338	$369

[1] 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 write-down of the investment.
[2] Unpaid principal balance represents the contractual principal balance of the loan.

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The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Classification System as a percentage of total loans and related accrued interest receivable by loan type (dollars in thousands):

	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	%	Amount	%	Amount	%	Amount
As of December 31, 2022							
Long-term agricultural mortgage	**$1,507,672**	**98.15%**	**$18,672**	**1.22%**	**$ 9,736**	**0.63%**	**$1,536,080**
Production and intermediate term	**565,824**	**96.27%**	**17,340**	**2.95%**	**4,561**	**0.78%**	**587,725**
Agribusiness	**359,481**	**95.25%**	**5,147**	**1.36%**	**12,793**	**3.39%**	**377,421**
Rural infrastructure	**106,574**	**100.00%**	**–**	**–**	**–**	**–**	**106,574**
Rural residential real estate	**50,352**	**98.73%**	**303**	**0.60%**	**343**	**0.67%**	**50,998**
Agricultural export finance	**22,188**	**100.00%**	**–**	**–**	**–**	**–**	**22,188**
Total	**$2,612,091**	**97.43%**	**$41,462**	**1.55%**	**$27,433**	**1.02%**	**$2,680,986**
As of December 31, 2021							
Long-term agricultural mortgage	$1,442,318	96.66%	$31,984	2.15%	$17,804	1.19%	$1,492,106
Production and intermediate term	518,619	93.26%	26,299	4.73%	11,193	2.01%	556,111
Agribusiness	233,121	91.62%	13,705	5.39%	7,620	2.99%	254,446
Rural infrastructure	68,028	100.00%	–	–	–	–	68,028
Rural residential real estate	58,773	98.35%	505	0.84%	482	0.81%	59,760
Agricultural export finance	5,602	100.00%	–	–	–	–	5,602
Total	$2,326,461	95.50%	$72,493	2.98%	$37,099	1.52%	$2,436,053
As of December 31, 2020							
Long-term agricultural mortgage	$1,214,053	91.45%	$ 55,962	4.21%	$57,569	4.34%	$1,327,584
Production and intermediate term	482,857	87.80%	47,999	8.73%	19,091	3.47%	549,947
Agribusiness	234,520	89.05%	25,029	9.51%	3,801	1.44%	263,350
Rural infrastructure	57,134	98.47%	888	1.53%	–	–	58,022
Rural residential real estate	71,499	94.65%	1,147	1.52%	2,893	3.83%	75,539
Agricultural export finance	6,573	100.00%	–	–	–	–	6,573
Total	$2,066,636	90.60%	$131,025	5.75%	$83,354	3.65%	$2,281,015

Our adversely classified assets decreased during 2022, ending the year at 1.02 percent of the portfolio compared to 1.52 percent and 3.65 percent of the portfolio at December 31, 2021, and 2020, respectively.

One credit quality indicator we utilize is the Farm Credit Administration Uniform 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.

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

The following table provides an aging analysis of past due loans by loan type (accruing volume includes accrued interest receivable; dollars in thousands):

	30–89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
As of December 31, 2022						
Long-term agricultural mortgage	**$1,212**	**$ 810**	**$2,022**	**$1,534,058**	**$1,536,080**	**$ –**
Production and intermediate term	**101**	**630**	**731**	**586,994**	**587,725**	**160**
Agribusiness	**1,247**	**–**	**1,247**	**376,174**	**377,421**	**–**
Rural infrastructure	**–**	**–**	**–**	**106,574**	**106,574**	**–**
Rural residential real estate	**20**	**–**	**20**	**50,978**	**50,998**	**–**
Agricultural export finance	**–**	**–**	**–**	**22,188**	**22,188**	**–**
Total	**$2,580**	**$1,440**	**$4,020**	**$2,676,966**	**$2,680,986**	**$ 160**
As of December 31, 2021						
Long-term agricultural mortgage	$1,231	$ –	$1,231	$1,490,875	$1,492,106	$ –
Production and intermediate term	1,379	438	1,817	554,294	556,111	–
Agribusiness	239	–	239	254,207	254,446	–
Rural infrastructure	–	–	–	68,028	68,028	–
Rural residential real estate	–	–	–	59,760	59,760	–
Agricultural export finance	–	–	–	5,602	5,602	–
Total	$2,849	$ 438	$3,287	$2,432,766	$2,436,053	$ –
As of December 31, 2020						
Long-term agricultural mortgage	$1,123	$1,596	$2,719	$1,324,865	$1,327,584	$ –
Production and intermediate term	2,918	1,787	4,705	545,242	549,947	–
Agribusiness	–	2	2	263,348	263,350	–
Rural infrastructure	–	–	–	58,022	58,022	–
Rural residential real estate	–	1,039	1,039	74,500	75,539	–
Agricultural export finance	–	–	–	6,573	6,573	–
Total	$4,041	$4,424	$8,465	$2,272,550	$2,281,015	$ –

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A restructuring of a loan 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. Concessions vary by program and borrower, 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. As a restructured loan constitutes a troubled debt restructuring, these loans are included within our risk loans. All risk loans are analyzed within our allowance for loan losses.

We recorded no new troubled debt restructurings during the year ended December 31, 2022, 2021 and 2020.

We had no troubled debt restructurings that occurred within the previous 12 months and for which there was a subsequent payment default during the respective reporting period.

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

The following table provides the troubled debt restructurings (TDRs) outstanding (accruing volume includes accrued interest receivable; dollars in thousands):

As of December 31:	**2022**	2021	2020
Accrual status:			
Long-term agricultural mortgage	**$ 54**	$58	$63
Agribusiness	**583**	–	–
Total TDRs in accrual status	**$637**	$58	$63
Nonaccrual status:			
Long-term agricultural mortgage	**$ –**	$ –	$ 645
Production and intermediate term	**–**	28	221
Agribusiness	**29**	811	388
Total TDRs in nonaccrual status	**$ 29**	$839	$1,254
Total TDRs:			
Long-term agricultural mortgage	**$ 54**	$ 58	$ 708
Production and intermediate term	**–**	28	221
Agribusiness	**612**	811	388
Total TDRs	**$666**	$897	$1,317

The "Provision for credit losses" in the Consolidated Statements of Income includes a provision for loan losses and a provision for unfunded lending commitments.

A summary of changes in the allowance for loan losses and reserve for unfunded lending commitments follows (dollars in thousands):

	December 31,		
Allowance for Loan Losses	**2022**	2021	2020
Balance at beginning of year	**$4,000**	$9,800	$9,600
Provision for loan losses	**186**	(6,199)	1,025
Loans charged off	**(715)**	(245)	(1,428)
Recoveries	**129**	644	603
Balance at end of year	**$3,600**	$4,000	$9,800

	December 31,		
Reserve for Unfunded Lending Commitments	**2022**	2021	2020
Balance at beginning of year	**$1,000**	$1,100	$ 800
Provision for unfunded lending commitments	**100**	(100)	300
Balance at end of year	**$1,100**	$1,000	$1,100

A summary of changes in the allowance for loan losses and period-end recorded investments in loans by loan type is as follows (dollars in thousands):

	Balance at December 31, 2021	**Loan Recoveries**	**Loan Charge-Offs**	**Provision for Loan Losses**	**Balance at December 31, 2022**
Long-term agricultural mortgage	$1,513	**$ 28**	**$ (49)**	**$(515)**	**$ 977**
Production and intermediate term	1,068	**101**	**(666)**	**253**	**756**
Agribusiness	1,200	**–**	**–**	**438**	**1,638**
Rural infrastructure	128	**–**	**–**	**31**	**159**
Rural residential real estate	87	**–**	**–**	**(28)**	**59**
Agricultural export finance	4	**–**	**–**	**7**	**11**
Total	$4,000	**$129**	**$(715)**	**$ 186**	**$3,600**

	Balance at December 31, 2020	Loan Recoveries	Loan Charge-Offs	Provision for Loan Losses	Balance at December 31, 2021
Long-term agricultural mortgage	$6,552	$ 85	$ (45)	$(5,079)	$1,513
Production and intermediate term	1,755	485	(182)	(990)	1,068
Agribusiness	1,007	15	–	178	1,200
Rural infrastructure	242	–	–	(114)	128
Rural residential real estate	239	59	(18)	(193)	87
Agricultural export finance	5	–	–	(1)	4
Total	$9,800	$644	$(245)	$(6,199)	$4,000

	Balance at December 31, 2019	Loan Recoveries	Loan Charge-Offs	Provision for Loan Losses	Balance at December 31, 2020
Long-term agricultural mortgage	$5,643	$ 57	$ (90)	$ 942	$6,552
Production and intermediate term	1,916	326	(852)	365	1,755
Agribusiness	1,709	220	(431)	(491)	1,007
Rural infrastructure	147	–	–	95	242
Rural residential real estate	181	–	(55)	113	239
Agricultural export finance	4	–	–	1	5
Total	$9,600	$603	$(1,428)	$1,025	$9,800

Adversely classified assets are assets that we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

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A summary of the allowance for credit losses and recorded investments in loans outstanding by loan type, as evaluated individually and collectively for impairment, is as follows (dollars in thousands):

	Allowance for Credit Losses Ending Balance at December 31, 2022		**Recorded Investments in Loans Outstanding Ending Balance at December 31, 2022**	
	Individually Evaluated for Impairment	**Collectively Evaluated for Impairment**	**Individually Evaluated for Impairment**	**Collectively Evaluated for Impairment**
Long-term agricultural mortgage	**$ –**	**$ 977**	**$3,120**	**$1,532,960**
Production and intermediate term	**–**	**756**	**734**	**586,991**
Agribusiness	**480**	**1,158**	**2,138**	**375,283**
Rural infrastructure	**–**	**159**	**–**	**106,574**
Rural residential real estate	**–**	**59**	**19**	**50,979**
Agricultural export finance	**–**	**11**	**–**	**22,188**
Total	**$480**	**$3,120**	**$6,011**	**$2,674,975**

	Allowance for Credit Losses Ending Balance at December 31, 2021		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2021	
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Long-term agricultural mortgage	$ –	$1,513	$3,536	$1,488,570
Production and intermediate term	–	1,068	700	555,411
Agribusiness	368	832	811	253,635
Rural infrastructure	–	128	–	68,028
Rural residential real estate	–	87	119	59,641
Agricultural export finance	–	4	–	5,602
Total	$368	$3,632	$5,166	$2,430,887

	Allowance for Credit Losses Ending Balance at December 31, 2020		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2020	
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Long-term agricultural mortgage	$431	$6,121	$ 6,815	$1,320,769
Production and intermediate term	182	1,573	2,965	546,982
Agribusiness	–	1,007	390	262,960
Rural infrastructure	–	242	–	58,022
Rural residential real estate	–	239	1,505	74,034
Agricultural export finance	–	5	–	6,573
Total	$613	$9,187	$11,675	$2,269,340

Note 4 – Investment in CoBank, ACB

We are required to invest in the capital stock of CoBank, ACB as a condition for maintaining a readily available source of funds. The minimum required investment is 3.0 percent of our prior one-year average direct loan volume. The current requirement for capitalizing our patronage-based participation loans sold to CoBank, ACB is 7.0 percent of our prior 10-year average balance of such participations sold to CoBank, ACB. The investment in CoBank, ACB comprises patronage-based stock and purchased stock. Under the CoBank, ACB capital plan applicable to such participations sold, patronage from CoBank, ACB related to these participations sold is paid 75.0 percent cash and 25.0 percent Class A stock. The capital plan is evaluated annually by CoBank, ACB's Board of Directors and management and is subject to change.

At December 31, 2022, our investment in CoBank, ACB is in the form of Class A stock with a par value of $100 per share.

CoBank, ACB may require the holders of its equities to subscribe for additional capital as may be needed to meet its capital requirements for its joint and several liability under the Farm Credit Act regulations. In making such a capital call, CoBank, ACB shall take into account the financial condition of each such holder and such other considerations, as it deems appropriate.

The balance of our investment in CoBank, ACB was $67.8 million at December 31, 2022, and $70.1 million and $70.1 million at December 31, 2021, and 2020, respectively.

Note 5 – Investment in AgDirect, LLP

We participate in the AgDirect, LLP trade credit financing program, which includes origination and refinancing of agricultural equipment loans and leases through independent equipment dealers. The program is facilitated by FCSAmerica through a limited liability partnership (LLP) in which we are a partial owner. Our investment in AgDirect, LLP was $8.3 million at December 31, 2022, $7.7 million at December 31, 2021, and $5.8 million at December 31, 2020. The LLP is an unincorporated business entity.

Note 6 – Premises and Equipment

Premises and equipment consisted of the following (dollars in thousands):

	December 31,		
	2022	2021	2020
Land, buildings and improvements	**$27,982**	$26,414	$25,471
Furniture and equipment	**930**	930	993
	28,912	27,344	26,464
Less accumulated depreciation	**7,979**	7,117	6,338
Premises and equipment, net	**$20,933**	$20,227	$20,126

Note 7 – Notes Payable

Our notes payable to CoBank, ACB represents borrowings in the form of a line of credit to fund our net assets. This notes payable is collateralized by a pledge of substantially all of our assets and is governed by a General Financing Agreement. CoBank, ACB has established a revolving line of credit of $2.4 billion effective April 14, 2022. The General Financing Agreement and promissory note are subject to periodic renewals in the normal course of business. The General Financing Agreement matures on May 31, 2023, and we expect renewal at that time. We were in compliance with the terms and conditions of the General Financing Agreement as of December 31, 2022.

Substantially all borrower loans are match-funded with CoBank, ACB. Payments and disbursements are made on the notes payable to CoBank, ACB on the same basis as we collect payments from and disburse on borrower loans. The interest rate may periodically be adjusted by CoBank, ACB based on the terms and conditions of the borrowing. The interest rate at December 31, 2022, was 2.21 percent compared to 0.75 and 0.89 percent for the years ended December 31, 2021, and 2020, respectively.

Frontier Farm Credit, ACA

Notes to Consolidated Financial Statements

The consolidated notes payable balance is presented in the following table (dollars in thousands):

	December 31,		
	2022	2021	2020
Notes payable to CoBank, ACB	**$2,211,801**	$1,993,483	$1,854,847

Under the Farm Credit Act, we are obligated to borrow only from CoBank, ACB unless CoBank, ACB approves borrowing from other funding sources. CoBank, ACB, consistent with Farm Credit Administration regulations, has established limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances, credit quality and financial condition. Additionally, we have requirements to maintain an effective program of internal controls over financial reporting. At December 31, 2022, we were within the specified limitations.

Note 8 – Members' Equity

A description of our capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities follows.

Capital Stock

In accordance with the Farm Credit Act, as amended, each borrower is required to invest in us as a condition of obtaining a loan. Our capitalization bylaws require a customer to invest in capital stock equal to $1 thousand or 2.0 percent of the amount of the loan, whichever is less. Our Board of Directors may increase the amount of investment, if necessary, to meet capital needs. Under the current Board of Directors–approved program, the stock requirement for loan customers is generally $1 thousand, and stock is issued to each loan co-maker (includes primary borrower and any co-borrowers; does not include guarantors). Non-loan customers purchasing financially related services from the Association continue to purchase one $5 share of stock.

The member acquires ownership of capital stock or participation certificates at the time the loan is made. Loan co-makers who do not currently own stock will acquire stock when a new loan is originated or a loan-servicing action takes place. Members are not currently required to make a cash investment to acquire capital stock or participation certificates. However, their obligation to pay for the capital stock or participation certificates is maintained as an interest-free obligation and will only be due in the unlikely event that the Association does not meet regulatory capital requirements.

The capital stock and participation certificates are at-risk investments as described in our capital bylaws. We retain a first lien on common stock or participation certificates owned by our members. Stock is retired in accordance with our bylaws. Members are responsible for payment of the cash investment upon demand by us.

Effective January 1, 2020, there was a change in the regulatory interpretation related to the accounting for capital stock and participation certificates for us, along with other Farm Credit Associations. The capital stock and participation certificates are included within members' equity on the Consolidated Balance Sheets, and a new contra line item titled "Less capital stock receivable" for the same amount. This change had no impact on the capital stock or participation certificates owned by our members, as members retained all rights afforded to them by the Farm Credit Act. In addition, this change had no material impact on our capital ratios.

Regulatory Capitalization Requirements and Restrictions

	As of December 31,				
	2022	2021	2020	**Regulatory Minimums**	**Minimums With Buffers**
Risk-adjusted ratios:					
Common equity Tier 1	**15.95%**	17.32%	17.30%	**4.5%**	**7.0%**
Tier 1 capital	**15.95%**	17.32%	17.30%	**6.0%**	**8.5%**
Total capital	**16.11%**	17.51%	17.79%	**8.0%**	**10.5%**
Permanent capital	**15.97%**	17.35%	17.37%	**7.0%**	**7.0%**
Non-risk-adjusted ratios:					
Tier 1 leverage	**18.13%**	19.16%	19.16%	**4.0%**	**5.0%**
UREE leverage	**18.13%**	21.13%	21.03%	**1.5%**	**1.5%**

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

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

These ratios are based on a three-month average daily balance in accordance with Farm Credit Administration regulations and are calculated as follows (not all items may be applicable to our Association):

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

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

Description of Equities

The following table presents information regarding the classes and number of shares of stock outstanding as of December 31. All shares are at-risk and have a par or stated value of $5 per share (dollars in thousands).

	Shares Outstanding as of December 31,		
	2022	2021	2020
Class B common stock	**1,838,299**	1,830,218	1,749,215
Class C common stock	**37,502**	40,063	42,558

Our bylaws authorize us to issue an unlimited number of shares of Class B common stock and Class C common stock with a par value of $5 per share.

Class B common stock is voting and is issued solely to a farmer, rancher, or producer or harvester of aquatic products. Class C common stock has no voting rights and is issued to customers to capitalize rural home and farm-related business loans or to become eligible for financial services. Class B common stock and Class C common stock may be retired at the discretion of the Board of Directors, at book value not to exceed par, provided we meet minimum capital adequacy standards under Farm Credit Administration regulations.

Subject to our policies, Class B and Class C common stock are transferable to any person eligible to hold the respective class of stock. Class B common stock and Class C common stock cannot be transferred when we do not meet capital adequacy standards under Farm Credit Administration regulations.

At any time within two years after the loan of a customer is repaid in full, any voting stock held by the customer is converted to nonvoting stock. The nonvoting stock may be converted back to voting stock if the owner of the stock borrows additional funds.

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Notes to Consolidated Financial Statements

As determined by the Board of Directors, we may declare dividends in stock, cash or any combination, provided we meet capital adequacy standards under Farm Credit Administration regulations and no stock is impaired. Losses that result in impairment of stock and participation certificates will be allocated ratably to stock and participation certificates. In the event we would liquidate or dissolve, any assets remaining after payment or retirement of all liabilities would be distributed to the holders of stock in the following order of priority:

- first, to the holders of common stock and participation certificates, equally and pro rata in proportion to the number of shares or units of common stock and participation certificates issued and outstanding, until an amount equal to the aggregate par value of all common stock and participation certificates has been distributed;
- second, to the holders of allocated surplus pro rata, on the basis of oldest allocations first, until an amount equal to the total account has been distributed; and
- third, any remaining assets would be distributed among current and former stockholders in the proportion that the aggregate patronage of each stockholder bears to the total patronage of all current and former stockholders, to the extent practicable and as determined by the Board unless otherwise provided by law.

Patronage Distributions

For 2022, the Board of Directors declared cash patronage distributions based on each customer's average daily balance of eligible loans outstanding during the year. Our patronage program is a distribution of earnings to our eligible stockholders and is a qualified (cash) distribution referred to as a cash-back dividend. We accrued $22.7 million in December 2022 to be paid in 2023. In 2021, we accrued a total of $20.5 million and $23.6 million in 2020.

We are prohibited from distributing earnings on a patronage basis to the extent that they would reduce our permanent capital ratio below the Farm Credit Administration's minimum permanent capital adequacy requirements. We do not foresee any events that would result in this prohibition in 2023.

Note 9 – Employee Benefit Plans

We participate in the benefits plans administered by Farm Credit Foundations, a service corporation for Farm Credit System entities. The Farm Credit Foundations Plan Sponsor and Trust Committees provide governance and oversight for the benefit plans. The governance committees are either elected or appointed representatives (senior leadership or Board of Director members) from the participating organizations. The Plan Sponsor Committee is responsible for decisions regarding benefits at the direction of the participating employers. The Trust Committee is responsible for fiduciary and plan administration functions. The Association has a senior officer who serves on each committee.

Under the alliance agreement described in Note 1, the 2022 benefits expense of $65.8 million was shared between the Association and FCSAmerica on a 6.3 percent and 93.7 percent basis, respectively, which excluded any Frontier Farm Credit pension plans expense in excess of the Association's retirement programs. Additionally, the Association's net pension plans expense was $900 thousand for 2022. The employee benefits expense is included in the "Salaries and employee benefits" on the Consolidated Statements of Income.

Defined Contribution Plan

The Association participates in the Farm Credit Foundations Defined Contribution/401(k) Plan for benefits-eligible employees. The plan is a qualified plan up to the limits provided under the Internal Revenue Code.

For employees who do not participate in the Qualified Pension Plan, Frontier Farm Credit matches the employee's contributions dollar for dollar up to a maximum of 6.0 percent of the employee's compensation on both pretax and post-tax contributions. Additionally, our Association contributes a fixed 3.0 percent of the employee's compensation to the plan.

For employees who participate in the Qualified Pension Plan, the Association matches the employee's contributions dollar for dollar up to 2.0 percent of the employee's compensation and 50.0 percent of the employee's contributions above 2.0 percent and up to and including 6.0 percent of the employee's compensation, on both pretax and post-tax contributions.

Nonqualified Deferred Compensation Plan

The Farm Credit Foundations Nonqualified Deferred Compensation Plan serves two purposes. The plan provides for employer-matching or fixed contributions that exceed the Internal Revenue Code limits of the Defined Contribution Plan. Additionally, eligible employees may defer a portion of their base salary, variable pay and other compensation into this plan. Under the plan, eligible participants include the chief executive officer and other employees who meet certain compensation thresholds as determined by the Internal Revenue Code.

Pre-409A Frozen Nonqualified Deferred Compensation Plan

We also participate in the Farm Credit Foundations Pre-409A Frozen Nonqualified Deferred Compensation Plan. This plan serves the same purposes as the Nonqualified Deferred Compensation Plan. However, the plan was frozen effective January 1, 2007. As such, no additional participants are eligible to enter the plan and no additional employer contributions are made to the plan.

Qualified Pension Plan

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

The defined benefit plan reflects a funded asset totaling $9.6 million at December 31, 2022. The pension benefits funding status reflects the net of the fair value of the plan assets and the projected benefit obligation at the date of these Consolidated Financial Statements. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The projected benefit obligation and fair value of the multiemployer plan assets as of December 31 follows (in millions):

	2022	2021	2020
Projected benefit obligation	**$271.9**	$347.3	$359.9
Fair value of plan assets	**$281.5**	$341.9	$302.5

The amount of the pension benefits funding status is subject to many variables, including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each participating employer based on costs directly related to its current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. The Association recognizes its proportional share of expense and contributes a proportional share of funding. Costs and contributions for the multiemployer plan as of December 31 follow (in millions):

	2022	2021	2020
Total plan expenses for all participating employers	**$8.1**	$13.7	$19.5
Association's allocated share of plan expenses included in "Salaries and employee benefits"	**$0.9**	$1.4	$2.0
Total plan contributions for all participating employees	**$30.0**	$30.0	$30.0
Association's allocated share of plan contributions	**$3.2**	$3.1	$3.1

While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total employer contributions expected to be paid into the pension plans during 2023 is $4.0 million. The Association's allocated share of these pension contributions is expected to be $467 thousand. The amount ultimately to be contributed and the amount ultimately recognized as expense, as well as the timing of those contributions and expenses, are subject to many variables, including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than anticipated.

Nonqualified Pension Restoration Plan

We participate in the Ninth Farm Credit District Pension Restoration Plan that is a nonqualified, unfunded retirement plan. This plan provides retirement benefits above the Internal Revenue Code compensation limit to certain former highly compensated eligible employees. Benefits payable under this plan are offset by the benefits payable from the Qualified Pension Plan.

The Association's share of the plan had no unfunded liability at December 31, 2022. The funding status reflects the net fair value of the plan's assets and the projected benefit obligation at the date of these Consolidated Financial Statements. The plan is not funded so the fair value of plan assets is zero.

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Notes to Consolidated Financial Statements

The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement data based on assumed future compensation levels. The Association's projected benefit obligation of the plan was $0 as of December 31, 2022, 2021 and 2020.

There were no plan expenses included in "Salaries and employee benefits" in the accompanying Consolidated Statements of Income in 2022, 2021 and 2020. Assumptions utilized for the plan were consistent with the Qualified Pension Plan. Benefits payouts are expected to continue to be zero.

Retiree Health Care

The Association participates in the Farm Credit Foundations Retiree Medical Plan. The plan benefits are available to retired employees who met specific age and service requirements. Employees hired January 1, 2002, or later are not eligible for the subsidy. The anticipated costs of these benefits were accrued during the period of the employee's active service. The related expense is not considered material to our financial position.

Note 10 – Income Taxes

Our provision for income taxes follows (dollars in thousands):

	Year Ended December 31,		
	2022	2021	2020
Current:			
Federal	**$ –**	$15	$ –
State	**–**	–	–
Total current	**$ –**	$15	$ –
Deferred:			
Federal	**$(770)**	$617	$(31)
State	**(282)**	272	(11)
(Decrease) increase in valuation allowance	**1,052**	(889)	42
Total deferred	**$ –**	$ –	$ –
Total provision for income taxes	**$ –**	$ 15	$ –

The following table calculates the differences between the provision for income taxes and income taxes at the statutory rates (dollars in thousands):

	Year Ended December 31,		
	2022	2021	2020
Federal tax at statutory rate	**$10,559**	$10,750	$9,571
State tax, net	**(222)**	60	(7)
Tax effect of:			
Exempt FLCA earnings	**(11,403)**	(10,523)	(9,179)
Deferred tax valuation allowance	**1,052**	(889)	42
Patronage distribution	**–**	–	(417)
Other	**14**	617	(10)
Provision for income taxes	**$ –**	$ 15	$ –

The following table provides the components of deferred tax assets and liabilities (dollars in thousands):

	Year Ended December 31,		
	2022	2021	2020
Allowance for loan losses	**$186**	$212	$318
Nonaccrual loan interest	**15**	17	54
CoBank, ACB patronage allocations	**(539)**	(507)	(430)
Prepaid pension expense	**–**	–	734
Net operating loss	**1,281**	171	196
Other assets	**–**	107	–
Short-term incentive	**–**	–	17
Deferred tax asset	**943**	–	889
Deferred tax asset valuation allowance	**(943)**	–	(889)
Net deferred tax asset	**$ –**	$ –	$ –

The calculation of deferred tax assets and liabilities involves various management estimates and assumptions regarding future taxable earnings, including the amount of nonpatronage income and patronage income retained. The expected future tax rates are based on enacted tax laws.

Deferred tax assets were fully offset by a valuation allowance for all years presented. We will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

Our effective tax rate was 0.0 percent for the years ending 2022, 2021 and 2020.

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

Note 11 – Related Party Transactions

In the ordinary course of business, we may enter into loan transactions with our directors, senior officers, their immediate family members and other organizations with whom such persons may be associated. These transactions may be subject to special approval requirements contained in the Farm Credit Administration regulations and/or our policy, and are made on the same terms, including interest rates, amortization schedules and collateral, as those prevailing at the time for comparable transactions with other persons. The related parties can be different each year-end primarily due to changes in the composition of the Board of Directors and the mix of organizations with which such persons may be associated. In our opinion, loans outstanding to directors and senior officers at December 31, 2022, did not involve more than a normal risk of collectability.

Loan information to related parties for the years ended December 31 is shown below (dollars in thousands):

Related Party Loans and Leases	As of December 31,		
	2022	2021	2020
Total related party loans and leases	**$22,933**	$18,357	$15,335

Related Party Loans and Leases	For the year ended December 31,		
	2022	2021	2020
New and advances on loans and leases	**$17,715**	$22,682	$9,345
Repayments and other	**$13,139**	$19,660	$10,842

We purchased various services from AgriBank, FCB until the formation of SunStream Business Services (SunStream) on April 1, 2020, at which time we began purchasing some of these services from SunStream. The services purchased from SunStream include tax-reporting services. The total cost of services we purchased from AgriBank, FCB and subsequently SunStream was $20 thousand, $16 thousand and $12 thousand in 2022, 2021 and 2020, respectively.

We purchase human resource information systems and benefit and payroll services from Farm Credit Foundations. The Farm Credit System entities using Farm Credit Foundations' services contributed an investment into the service corporation when it was formed as a separate service corporation. Our investment was $21 thousand for all years presented. The total cost of services purchased from Farm Credit Foundations was $94 thousand in 2022, $92 thousand in 2021 and $85 thousand in 2020.

As discussed in Note 7, we borrow from CoBank, ACB in the form of a line of credit to fund our loan portfolio. All interest expense as shown on the Consolidated Statements of Income was paid to CoBank, ACB. Total patronage earned from CoBank, ACB was $11.5 million, $10.0 million and $7.6 million in 2022, 2021 and 2020, respectively.

We are a participant in the Rural 1st referral program to provide rural home lending to our customers. Rural 1st is a division of Farm Credit Mid-America offering a program that delivers specialized products and services to customers looking to make a move to rural living through recreation land and home purchases, and home-equity and construction projects. We receive noninterest income from Farm Credit Mid-America for loan volume originated in our territory via Rural 1st. During 2022, we received $1.4 million in noninterest income for these originations. In 2021 and 2020, we received $1.6 million and $978 thousand, respectively, in noninterest income for these originations.

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

Note 12 – Commitments and Contingencies

In the normal course of business, we have various outstanding commitments and contingent liabilities, such as commitments to extend credit to satisfy the financing needs of our customers. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the financial statements. Commitments to extend credit are agreements to lend to a customer as long as there is not a violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments may expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis using the same credit policies as for on-balance-sheet financial instruments. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on our credit evaluation of the counterparty. Collateral held upon exercise of commitments varies but may include accounts receivable, inventory, property, plant and equipment, and agricultural real estate. We had remaining commitments for additional borrowing at December 31, 2022, of approximately $880 million, approximately $734 million at December 31, 2021, and approximately $645 million at December 31, 2020.

We also participate in standby letters of credit to satisfy the financing needs of customers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2022, $6.8 million of standby letters of credit were outstanding, $6.2 million at December 31, 2021, and $5.9 million at December 31, 2020. Outstanding standby letters of credit have expiration dates ranging to 2033. The maximum potential amount of future payments we are required to make under the guarantees is equal to the total amount of the letters of credit outstanding.

Frontier Farm Credit, ACA

Notes to Consolidated Financial Statements

We and other Farm Credit System institutions are among the limited partners invested in six Rural Business Investment Companies (RBICs). Our total current commitment is $15 million with varying commitment end dates through December 2038. Certain commitments may have an option to extend under specific circumstances. At December 31, 2022, we had funded $4.0 million of the total current commitment of $15 million. Our funded total was $1.8 million at December 31, 2021, and $289 thousand at December 31, 2020. The investments were evaluated for impairment. No impairments were recognized on these investments during 2022, 2021 or 2020.

In the normal course of business, we may be subject to a variety of legal matters that may result in contingencies. Actions are pending against us in which claims for money damages are asserted. In our opinion, based on current information, the ultimate liability, if any, would not have a material impact on our financial position.

Note 13 – Fair Value Measurement

The Financial Accounting Standards Board guidance on “Fair Value Measurements” 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. The guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. See Note 2 for a more complete description of the three input levels.

We do not have any material assets or liabilities measured at fair value on a recurring basis. We may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis. The following tables provide information on assets measured at fair value on a nonrecurring basis (dollars in thousands):

As of December 31, 2022	**Fair Value Measurement**			**Total Fair Value**
	Level 1	**Level 2**	**Level 3**	
Loans	**$ –**	**$ –**	**$1,166**	**$1,166**
Other property owned	**$ –**	**$ –**	**$ –**	**$ –**

As of December 31, 2021	Fair Value Measurement			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	$ –	$ –	$272	$272
Other property owned	$ –	$ –	$ –	$ –

As of December 31, 2020	Fair Value Measurement			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	$ –	$ –	$923	$923
Other property owned	$ –	$ –	$ –	$ –

The amount of loans in the previous tables represents the fair value of certain loans that were evaluated for impairment based on the estimated appraised value of the underlying 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 our knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the collateral, less estimated costs to sell, is less than the carrying value of the loan, a specific reserve is established.

The amount of other property owned represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset’s fair value.

Note 14 – Subsequent Events

We have evaluated subsequent events through March 2, 2023, which is the date the Consolidated Financial Statements were available to be issued, and have determined that there are no other events requiring disclosure.

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Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

Description of Business

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

The description of significant business developments, if any, is incorporated herein by reference from the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this annual report.

Description of Property

Our corporate office is located in Manhattan, Kansas, and is owned. The locations of our retail offices are incorporated herein by reference to the last page of this annual report to stockholders. All retail office locations are owned. No facility construction projects were undertaken in 2022.

Legal Proceedings

Information required to be disclosed in this section is incorporated herein by reference from Note 12 to the accompanying Consolidated Financial Statements included in this annual report to stockholders.

Description of Capital Structure

Information required to be disclosed in this section is incorporated herein by reference from Note 8 to the accompanying Consolidated Financial Statements included in this annual report to stockholders.

Description of Liabilities

The description of debt outstanding required to be disclosed in this section is incorporated herein by reference from Note 7 to the accompanying Consolidated Financial Statements included in this annual report to stockholders.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Note 12 to the accompanying Consolidated Financial Statements included in this annual report to stockholders.

Member Privacy

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

Customer Privacy

Customer privacy is important to us. We hold customer financial and other personal information in strict confidence. We do not sell or trade customers' personal information to marketing companies or information brokers for their use. By Farm Credit Administration regulations, we are required to provide a list of current stockholders to any stockholder who requests such information for defined purposes. Additional information regarding this Farm Credit Administration rule governing the disclosure of customer information can be obtained by contacting the Farm Credit Administration or our Legal team at PO Box 2409, Omaha, NE 68103-2409.

Frontier Farm Credit, ACA

Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

Financial and Supervisory Relationship With the Association's Funding Bank

Information required to be disclosed in this section is incorporated herein by reference from the "Relationship With CoBank, ACB" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" and from Note 7 to the accompanying Consolidated Financial Statements.

Selected Financial Data

The selected financial data for the five years ended December 31, 2022, required to be disclosed in this section is incorporated herein by reference from the "Consolidated 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 of Financial Condition and Results of Operations," which appears in this annual report to stockholders and is required to be disclosed in this section, is incorporated herein by reference.

Directors and Compensation of Directors

The listing of directors, term of office, business experience during the past five years, principal occupation and employment during the past five years, and any other business interests, which are required to be disclosed in this section, are incorporated herein by reference from the "Frontier Farm Credit, ACA Directors" section in this annual report to stockholders.

Our bylaws permit compensation of directors for service on the Board. Compensation is provided for attendance at meetings, special assignments, training and development, and travel time associated with these responsibilities. The per diem rate for 2022 was $600. The monthly director retainer for January 1, 2022, through April 30, 2022, was $4,150. Beginning May 1, 2022, the monthly retainer for a director was $4,450. Additional monthly compensation paid for leadership positions included:

- Board Chairperson – $830
- Board Vice-Chairperson – $620
- Chairperson of a coordinating committee subcommittee who is not a Board Chairperson or Vice-Chairperson – $410
- Chairperson of a coordinating committee subcommittee who is also the Chairperson or Vice-Chairperson of the Board – $210

Compensation information for each director who served in 2022 follows:

Director	Board Days	Other Days	Total 2022 Compensation
Kathy Brick[1]	9.0	28.0	**$79,360**
Bill Miller	9.0	32.0	**$77,100**
Lee Mueller, Board Vice-Chairperson[1]	9.0	35.0	**$88,600**
Shane Tiffany, Board Chairperson	9.0	54.0	**$101,680**
		Total Compensation	**$346,740**

[1] Denotes chairperson of a Frontier Farm Credit and Farm Credit Services of America subcommittee as of December 31, 2022.

All directors serve as members of the Board committees (Audit, Business Risk, Governance and Human Capital). No additional compensation is paid for service on a Board committee. Total compensation is rounded to the nearest dollar and includes retainers and all diems paid in 2022.

Frontier Farm Credit, ACA
Disclosure Information
Required by Farm Credit Administration Regulations (Unaudited)

Compensation of Chief Executive Officer and Senior Officers

The chief executive officer and senior officers as of December 31, 2022, are shown below. The chief executive officer and senior officers provide joint management for Frontier Farm Credit (Association) and Farm Credit Services of America (FCSAmerica).

Name	Current Position	Date Started in Current Position	Previous Position(s) During Past Five Years
Mark Jensen	President and CEO	November 2017	
Amy Bailey	Senior Vice President – Public Relations and Marketing	December 2022	Director – Brand Marketing and Corporate Communications, Scoular; Senior Director – Marketing and Communications, Blue Cross and Blue Shield of Nebraska
Scott Binder	Executive Vice President – Chief Alliance and Administration Officer	July 2022	Executive Vice President – Chief Operating Officer; President and CEO, FCC Services
Robert Campbell	Senior Vice President – Business Development	January 2020	Senior Vice President
Wes Chambers	Senior Vice President – Retail	August 2022	Senior Vice President – Business Development; Regional Vice President – Business Development; Regional Vice President
Scott Coziahr	Executive Vice President – General Counsel	January 2020	Senior Vice President – General Counsel
Jennifer Downs	Senior Vice President – Financial Services	July 2022	Vice President – Financial Services; Vice President – Loan Accounting
Jason Edleman	Senior Vice President – Business Development	March 2020	Regional Vice President – Business Development; Regional Vice President
Shane Frahm	Senior Vice President – Corporate Business Development	August 2022	Senior Vice President – Agribusiness Capital; Senior Vice President – Agribusiness Finance
Chad Gent	Senior Vice President – Retail Credit	January 2017	
Jameson Hallof	Senior Vice President – Commercial Credit	November 2022	Senior Vice President – Agricultural Underwriting; Vice President – Credit – Agribusiness, Farm Credit Mid-America; Credit Analyst – Agribusiness Capital
Marshall Hansen	Senior Vice President – Business Development (Corporate)	October 2022	Senior Vice President – Agribusiness Capital; Senior Vice President – Agribusiness Finance
Judy Hartlieb	Senior Vice President – Public Relations and Marketing	January 2022	Vice President – Public Relations and Marketing
David Hoyt	Senior Vice President – Treasury	March 2020	Vice President – Finance and Treasurer
Anthony Jesina	Senior Vice President – Insurance	January 2020	Senior Vice President – Related Services
Jud Jesske	Senior Vice President – Business Development (Commercial)	October 2022	Vice President – Capital Markets; Vice President – Agribusiness Lender
Kenneth Keegan	Executive Vice President – Advisor	July 2022	Executive Vice President – Business Development
Phillip Keiken	Senior Vice President – Digital Strategy	August 2022	Vice President – User Experience; Co-Founder and UX Lead, Discotech; UX and Product Strategist, Keiken Design

Frontier Farm Credit, ACA
Disclosure Information
Required by Farm Credit Administration Regulations (Unaudited)

Compensation of Chief Executive Officer and Senior Officers (cont.)

Name	Current Position	Date Started in Current Position	Previous Position(s) During Past Five Years
Dallas Kime	Senior Vice President – Business Development (Commercial)	July 2022	Senior Vice President – Retail Commercial Lending; Vice President – Retail Commercial Lending
Craig Kinnison	Executive Vice President – Chief Financial Officer	January 2020	Senior Vice President – Chief Financial Officer
Jim Knuth	Senior Vice President – Business Development	January 2020	Senior Vice President
Timothy Koch	Executive Vice President – Business Development	July 2022	Executive Vice President – Chief Credit Officer; Senior Vice President – Chief Credit Officer
Brian Legried	Senior Vice President – AgDirect	April 2017	
Jackie Martinie	Executive Vice President – Chief Credit and Operations Officer	August 2022	Senior Vice President – Chief Credit Officer, Senior Credit Manager – Retail Credit Underwriting Lead, Farm Credit Illinois
Gary Mazour	Senior Vice President – Commercial Credit	September 2022	Senior Vice President – Agribusiness Credit
Krista McDonald	Executive Vice President – Chief Strategy Officer	January 2020	Vice President – Sales Enablement; Vice President – Innovation and Strategy
Narayanan Nair	Senior Vice President – Chief Data Officer	June 2020	Director – Head of Data and Analytics, TD Ameritrade; Director – Product, D3 Banking Technology
Hans Nunnink	Senior Vice President – Enterprise Architecture and Principal Technical Architect	January 2021	Vice President and Principal Architect, Ticketmaster; Director and Acting Staff Engineer, American Express
Allen Patten	Senior Vice President – Business Development	October 2022	Regional Vice President – Business Development; Regional Vice President
Mick Porter	Senior Vice President – Commercial Credit	November 2022	Vice President – Large Producer Underwriting; Vice President – Credit (North)
Bruce Rouse	Senior Vice President – Business Development (Corporate)	October 2022	Vice President – Syndications (Structure); Vice President – Capital Markets (Structure)
Greg Salton	Senior Vice President – Chief Risk Officer	January 2018	Senior Vice President – Risk Management
Fallon Savage	Senior Vice President – Corporate Credit and Operations	October 2022	Senior Vice President – Commercial Credit; Senior Vice President – Agribusiness Credit; Senior Vice President – Agribusiness Capital
Robert Schmidt	Senior Vice President – Advisor	August 2022	Senior Vice President – Retail; Senior Vice President – Business Development; Senior Vice President
Angela Treptow	Senior Vice President – Lending Operations	November 2021	Regional Vice President – Business Development; Regional Vice President
Russell Wagner	Executive Vice President – Chief Information Officer	January 2020	Senior Vice President – Chief Technology Officer

Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

Other business interests of the chief executive officer and senior officers are shown below.

Name	Other Business Interests
Mark Jensen	• Board of Directors, Greater Omaha Chamber of Commerce. • Advisory Council, University of Nebraska Clayton Yeutter Institute of International Trade and Finance.
Scott Binder	• Board of Directors and Plan Sponsor Committee, Farm Credit Foundations, a provider of benefits and payroll services for Farm Credit System organizations. • Board of Directors, Heartland Family Service, a human services organization.
Robert Campbell	• Board of Directors, Nebraska Farm Bureau Foundation, a non-profit organization promoting an understanding of the vital importance of agriculture in the state of Nebraska. • Advisory Council, University of Nebraska Center for Agricultural Profitability. • Owner of GrowLeadAchieve, LLC, a leadership and business coaching company.
Wes Chambers	• Board of Directors, South Dakota Ag Foundation, an organization that serves all South Dakota ag organizations, investing in the future of South Dakota agriculture through financial support, development for the future of ag, advocacy and unification throughout the industry, and working lands conservation. • South Dakota State University Council of Trustees, South Dakota State University Foundation, a non-profit organization supporting private funding for the university.
Scott Coziahr	• Managing member of JDI Properties, LLC, a residential real estate management company.
Jason Edleman	• Managing member of JAE Properties, LLC, a real estate management company. • Managing member of Mud Duck, LLC, a real estate management company. • President of Walkers Inc., a retail service business.
Shane Frahm	• Managing member of Frahm Brothers Partnership, a production farming company. • Co-manager of Hollertz Farms, LLC, a production farming company.
Chad Gent	• Managing member of Double Summit, LLC, a real estate tax lien investment company.
Marshall Hansen	• Marketing and Commerce committee member and Board of Directors member, Nebraska Cattlemen, an advocate for the beef industry in Nebraska. • AgNext Industry Innovation Group member at Colorado State University, formed to provide an industry perspective on the research efforts for scalable sustainability solutions for producers. • FarmHouse Fraternity Association board member, a social fraternity committed to the development of young men on the campus of the University of Nebraska-Lincoln.
David Hoyt	• Board of Directors, ProPartners Financial (PPF), a provider of credit programs for the direct sellers of crop inputs and seed in the United States. PPF is a collaboration of Farm Credit System institutions.
Jud Jesske	• Managing member of Jesske Farms, LLC, a family farming entity. • External Advisor, University of Nebraska: Nebraska Integrated Beef Systems. • Lay Leadership Board Chair, Christ Lincoln Church. • Treasurer, Lincoln Southeast High School Baseball Booster.
Kenneth Keegan	• Board of Directors, The Durham Museum, a non-profit regional learning and cultural center organization.
Dallas Kime	• President, J.H. Kime and Sons Company, a production ranching company. • President, J.H. Kime and Sons Cattle Co., a production ranching company.
Craig Kinnison	• Trust Committee, Farm Credit Foundations, a provider of benefits and payroll services for Farm Credit System organizations. • Board member, Farm Credit System Captive Insurance Company, a provider of insurance coverage to System organizations. • Board of Directors, Costa Blanca Condominium Owners Association.
Jackie Martinie	• Managing member of MLIF, LLC, a residential real estate holding company.
Narayanan Nair	• Advisory board member, Modal.io, modallearning.com, which helps companies develop the critical skills their employees care about with personally curated paths that give them the relevant roadmap to build their skills and advance their careers.
Allen Patten	• Board member, Methodist Manor Retirement Community, a care facility. • Board member, Lake Preservation Association, which supports the health and longevity of Storm Lake. • Chairperson, Finance Committee, United Methodist Church.
Greg Salton	• Advisory Council, Kansas State University Center for Risk Management Education and Research.
Fallon Savage	• Board of Directors, Four Points Federal Credit Union, a financial services cooperative offering banking products and services to members.
Robert Schmidt	• Board of Governors, South Dakota State University Foundation, a non-profit organization supporting private funding for the university.
Russell Wagner	• Board of Directors, Food Bank for the Heartland, a non-profit organization focused on food insecurity for 93 counties across Nebraska and western Iowa.

Frontier Farm Credit, ACA

Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

Compensation Overview: The Association's compensation programs are market-based and designed to provide competitive compensation, including base salary, incentives and benefits that attract, retain, motivate and reward an engaged and talented workforce while achieving business results aligned with the best interests of our shareholders.

The design and governance of our chief executive officer and senior officer compensation program are consistent with prudent risk management standards and provide total compensation that promotes our mission to ensure a safe, sound and dependable source of credit and related services for agriculture and rural America. The design of the compensation program supports our risk management goals and includes (1) a competitive mix of base salary and variable pay, (2) a pay-for-performance process that allocates individual awards based on individual performance and contributions, (3) a balanced use of variable-pay performance measures that are risk-adjusted where appropriate, and (4) a long-term portion of variable pay to align with the strategic direction of the Association, which provide for competitive market-based compensation and align with shareholder interests.

Compensation for the chief executive officer and senior officers includes base salary, short-term incentive plan opportunity and long-term incentive plan opportunity. Compensation for all other employees includes base salary and short-term incentive plan opportunity. The chief executive officer and senior officers participate in benefit plans generally available to all employees. Under the alliance agreement described in Note 1, the 2022 compensation and benefits expense for the chief executive officer, senior officers, and all Association and FCSAmerica employees was shared between the Association and FCSAmerica on a 6.3 percent and 93.7 percent basis, respectively, excluding any Association pension plan expense in excess of FCSAmerica's retirement programs.

The chief executive officer, Mr. Mark Jensen, does not have an employment agreement. A chief executive officer employment agreement is at the discretion of the Board of Directors.

Base Salaries: Base salaries for all employees, including the chief executive officer and senior officers, are determined based upon position, experience and responsibilities, performance and market-based compensation data. The chief executive officer base salary is reviewed and approved by the Board of Directors. The Board of Directors approves the merit and market-adjustment pools available for senior officers' base salaries. Employer expense for base salaries is included in "Salaries and employee benefits" on the Consolidated Statements of Income, which was shared by the Association and FCSAmerica as part of the overall allocation of salaries and benefits.

Short-Term Incentive: The Board of Directors approves the annual short-term incentive plan, including the performance measures. The 2022 short-term incentive-plan performance measures included combined results for the Association and FCSAmerica. The senior officers participate in the annual short-term incentive plan along with other eligible Association employees. Select employees must sign an assignment, nonsolicitation and nondisclosure agreement to participate in the short-term incentive plan. Payouts under the short-term incentive plan are based on financial and business results and credit performance measures and are approved by the Board of Directors. Payouts are not provided unless specific levels of performance are achieved.

No more than one-half of the short-term incentive-plan award opportunity may be paid in the fourth quarter of the plan year (first award payout), and the remainder of the award payout (final award payout) is paid no later than March 15 after the end of the plan year. The first award payout is based on the results achieved as of September 30 for select performance measures. The final award payout is based upon the year-end results net of the first award payout. The first payout under the 2022 short-term incentive plan occurred in November 2022. The second and final payout occurred in February 2023 and was net of the November 2022 payout.

The chief executive officer's short-term incentive opportunity is established by the Board of Directors. The Board has full discretion as to the amount of any payout to the chief executive officer under the short-term incentive plan and has historically and for 2022 used the results from the short-term incentive plan to determine the payout amount.

The accrued expense for the annual short-term incentive plan was $40.2 million plus accrued costs of $6.2 million for a total of $46.4 million for 2022, which was shared by the Association and FCSAmerica as part of the overall allocation of salaries and benefits.

Long-Term Incentive: The chief executive officer and senior officers are eligible for long-term senior officer incentive plans. The long-term incentive plans were approved by the Board of Directors to align chief executive officer and senior officer compensation with the strategic business plan and the goals of the Association while providing the opportunity for competitive market-based compensation at a level that will attract, retain and reward key staff for the accomplishment of Association goals. The chief executive officer and senior officers must sign an assignment, nonsolicitation and nondisclosure agreement to participate. The plans are nonqualified performance unit plans that are effective January 1, 2020, through December 31, 2022; January 1, 2021, through December 31, 2023; and January 1, 2022, through December 31, 2024.

The plans have independent performance goals measured over the three-year term of the plans that include core return on assets, customer experience index, employee engagement, loan growth, adverse assets to risk funds and nonaccrual loans to total classified assets. The results included in the plans were combined results for the Association and FCSAmerica.

The Board of Directors approves the total dollars available for the long-term incentive plans, which are then converted into units. The value of each unit is determined by the results achieved toward the established goals. The chief executive officer has discretion as to the distribution of the units to the senior officers for each three-year plan, which is based on consideration of market compensation and individual contributions and performance. The chief executive officer's long-term incentive opportunity is established by the Board of Directors. The Board has full discretion as to the amount of any payout to the chief executive officer under the long-term incentive plan and has historically used the results from the long-term senior officer incentive plan to determine the unit value for the payout amount.

Payments are made no later than March 15 after the end of each three-year plan's term. The payout for the 2020–2022 plan occurred in February 2023 and is reflected in the Summary Compensation Table in the "Long-Term Incentive" column for the calendar year 2022. The payouts for the 2018–2020 and 2019–2021 plans were paid in the first quarter of 2021 and the first quarter of 2022, respectively, and are reflected in the Summary Compensation Table in the "Long-Term Incentive" column for the calendar years 2020 and 2021.

A liability and salary and benefits expense of $5.8 million was recorded in 2022 for the long-term incentive plans. The expense was shared by the Association and FCSAmerica as part of the overall allocation of salaries and benefits.

Frontier Farm Credit, ACA
Disclosure Information
Required by Farm Credit Administration Regulations (Unaudited)

The following Summary Compensation Table includes compensation paid to the chief executive officer and senior officers during fiscal years 2022, 2021 and 2020.

Name of CEO	Year (1)	Salary (2)	Short-Term Incentive (3)	Long-Term Incentive (4)	Deferred (5)	Other (6)	Total
Mark Jensen, CEO	**2022**	**$825,000**	**$733,532**	**$946,270**	**$286,589**	**$5,147**	**$2,796,538**
Mark Jensen, CEO	2021	$800,000	$600,000	$592,875	$277,278	$5,761	$2,275,914
Mark Jensen, CEO	2020	$700,000	$525,000	$519,600	$237,475	$15,095	$1,997,170

Aggregate No. of Sr. Officers in Year Excluding CEO (7)	Year (1)	Salary (2)	Short-Term Incentive (3)	Long-Term Incentive (4)	Deferred (5)	Other (6)	Total
37	**2022**	**$8,973,971**	**$5,656,996**	**$4,146,264**	**$1,975,797**	**$673,348**	**$21,426,376**
31	2021	$7,286,151	$4,917,914	$3,598,682	$1,808,645	$771,062	$18,382,454
29	2020	$6,883,716	$4,712,596	$2,968,085	$1,743,494	$1,504,136	$17,812,027

(1) The Association paid 6.3 percent, 6.3 percent and 6.3 percent of the compensation expense for 2022, 2021 and 2020, respectively. Farm Credit Services of America paid 93.7 percent, 93.7 percent and 93.7 percent of the compensation expense for 2022, 2021 and 2020, respectively.
(2) Salary earned in the fiscal year.
(3) Incentive earned in the fiscal year.
(4) Incentive earned at the end of the respective three-year, long-term incentive plan.
(5) Association contributions to the Defined Contribution Plan and Nonqualified Deferred Compensation Plan during the fiscal year.
(6) Executive physicals, sign-on bonus, special recognition bonus, retirement gift, severance, taxable moving expense, vacation-leave payout, recognition and referral awards, health and fitness account payouts, health incentives, taxable vehicle use, long-term disability premiums and group life insurance imputed income incurred during the fiscal year. For 2022, 2021 and 2020, this number includes severance payouts for executive departure.
(7) Employees designated as senior officers during the fiscal year. At year end of 2022 there were 35 senior officers. Two senior officers retired in 2020 and one senior officer left the Association in 2021. Also in 2021, one senior officer position was eliminated. In 2022, one senior officer moved to a non-senior officer position in the Association and one senior officer position was eliminated.

Disclosure of the total compensation paid during 2022 to any senior officer included in the Summary Compensation Table is available to our stockholders upon written request to Frontier Farm Credit, PO Box 2409, Omaha, NE 68103-2409.

Details of the benefit plans are described in Note 9 to the accompanying Consolidated Financial Statements.

Frontier Farm Credit, ACA

Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

Travel, Subsistence and Other Related Expenses

Director and employee reimbursements for travel, subsistence and other related expenses are set forth in the Board's Governance Guidelines and Human Resources Manual, respectively. Each provides authority for and control over reimbursement of travel and subsistence expenses for authorized individuals traveling on official business. Copies of the related Governance Guidelines and Human Resources Manual provisions are available to our stockholders upon written request to Frontier Farm Credit, PO Box 2409, Omaha, NE 68103-2409.

The aggregate amount of reimbursement for travel, subsistence and other related expenses for all our directors was $61 thousand in 2022, $23 thousand in 2021 and $36 thousand in 2020.

Transactions With Directors, Senior Officers and Employees

Directors and certain employees may obtain loans from us, provided they meet all eligibility requirements and provided that such loans are made on the same terms available to other customers. Approval of CoBank, ACB is required for loans to our directors and employees, and for loans to any customer if a director or employee is to receive more than $50 thousand of the loan proceeds, has a significant personal interest in the loan or its security, may exercise control over the customer, or guarantees or cosigns a loan in excess of $50 thousand. Further, directors and employees are required to refrain from taking any part in the consideration or decision on any loan in which they or their family members have an interest.

Our bylaws and policies require that directors' loans be maintained at a high level of credit quality. Any director whose loan is classified "substandard" must prepare and obtain approval of a plan to improve and upgrade the loan within a specified period of time. For directors, failure to comply with our bylaws and policies would result in the director's position being vacated. Directors whose loans are classified "doubtful" or "loss," or have any portion of a loan charged off, must resign immediately.

The Farm Credit Act and Farm Credit Administration regulations require certain disclosures to stockholders concerning loans to directors and employees, their family members, organizations with which they are affiliated or entities that they may control. Disclosure is required where such loans were made on terms other than those available to other customers, or where such loans are considered to have more than a normal risk of collectability. None of our loans made to directors or employees, their family members, affiliated organizations or entities they may control were made on terms other than those available to all customers, nor were any such loans considered to have more than a normal risk of collectability.

Director, senior officer and employee non-loan transactions with us are regulated by our policy.

Concerning property that was mortgaged or pledged as security for Farm Credit System debt within the preceding 12 months, the policy requires that senior officers and employees obtain approval from the Standards of Conduct officer for purchase of the property.

Concerning property acquired within the preceding 12 months in satisfaction of Farm Credit System debt, this policy:

- prohibits lease, purchase or acquisition except through inheritance by senior officers and employees; and
- prohibits lease, purchase or acquisition except through inheritance, public auction or other open competitive bidding process by directors.

The policy does permit directors, senior officers and employees to purchase furniture and equipment owned by us provided that any item having a value of greater than $5 thousand must be purchased through an open, competitive bidding process.

The Farm Credit Act and Farm Credit Administration regulations also require certain disclosures to stockholders concerning non-loan transactions a director or senior officer, or any of his or her family members, affiliated organizations or entities he or she may control, has with us. Such disclosure is required if such transactions did not involve competitive bidding, involved amounts in excess of $5 thousand or provided a special benefit to the director or senior officer. No such transactions took place during 2022.

Involvement in Certain Legal Proceedings

There were no material legal proceedings or enforcement actions involving Frontier Farm Credit, our directors or senior officers that require disclosure in this section.

Relationship With Qualified Public Accountant

PricewaterhouseCoopers LLP serves as our qualified public accountant. There were no changes in our qualified public accountant since the prior annual report to stockholders, and there were no material disagreements on any matter of accounting principles or financial statement disclosures during this period. Expenses recognized in the 2022 Consolidated Financial Statements for services provided by PricewaterhouseCoopers LLP were approved by the Board Audit Committee and include $95 thousand for audit services and $5 thousand for tax-review services.

Frontier Farm Credit, ACA

Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

Financial Statements

The "Consolidated Financial Statements," "Notes to Consolidated Financial Statements," "Report of Management," "Report on Internal Control Over Financial Reporting," "Report of Audit Committee" and "Report of Independent Auditors" required to be disclosed in this section are incorporated herein by reference from this annual report to stockholders.

Credit and Services to Young, Beginning and Small Producers

We have specific programs in place to serve the credit and related needs of young, beginning and small producers in our territory. Programs focus on providing sound financial services, education and networking opportunities. The definitions of young, beginning and small producers follow:

Definitions

- Young – farmer or rancher who is 35 or younger as of the loan transaction date.
- Beginning – farmer or rancher who has 10 years or less of farming, ranching or aquatic experience as of the loan transaction date.
- Small – farmer or rancher who normally generates less than $250,000 in annual gross sales of agricultural or aquatic products.

Program Elements

Our program for serving young, beginning and small producers includes the following:

Conventional Loans: Producers 35 or younger, or with 10 years or less of farming or ranching experience, may have sufficient capacity, credit history or financial backing to meet our traditional loan-approval standards.

AgStart Loans: Producers 35 or younger, or with 10 years or less of farming or ranching experience, can benefit from modified credit-approval standards to help them gain access to debt capital. It is the goal of the program to help facilitate the financial growth of the customer and graduate participating producers from the AgStart program into conventional product offerings over time.

Development Fund: This program assists young, beginning and small producers who are beginning, growing or enhancing an agricultural-based operation by providing them business planning assistance and includes three loan products: Working Capital Loan, Breeding Livestock Loan and Contract Finish Loan. As of December 31, 2022, we had two customers enrolled in the program, with a total commitment of $155 thousand in Development Fund lending.

Youth in Agriculture Loans for Breeding Livestock: The Breeding Livestock Loan program for youth provides loans for terms of one to five years, up to $10,000, for the purpose of purchasing breeding livestock. These loans require a cosigner of legal age and are approved based on the strength and credit scores of the cosigner.

Education and Finance Sponsorships: We provide donations and sponsor state and local Future Farmers of America (FFA) activities and conventions, state 4-H activities and conventions, and agricultural leadership programs.

Scholarships: In 2022, we offered $2,500 scholarships to eight qualified students studying agriculture at Kansas State University. Additionally, we offered the following scholarships to qualified students studying agriculture at selected educational institutes: $2,000 scholarships to four students at community colleges; $2,000 scholarships to seven FFA students in high school.

Small Producer Financing: Small producers are served primarily through three loan programs: Rural 1st Home Loans, AgDirect and the full line of products and services offered through our retail marketplaces. All these programs are designed to meet the needs of small producers, part-time farmers or rural residents with a convenient and efficient delivery of financial services. Small producers who also meet the definition of young or beginning are eligible for the young and beginning program.

Credit Underwriting Standards

Young and beginning producers who do not meet traditional credit standards are considered under an outreach loan program called AgStart. Through this program, applicants' requests are analyzed and assessed based primarily on character and capacity credit factors. Farm Service Agency guarantees are used as deemed necessary, with additional support provided by our payment of the first $2,500 of external fees.

As of December 31, 2022, AgStart customers accounted for 373 loans to 221 customers with an outstanding commitment of $53 million. AgStart loan volume grew by 3.1 percent in 2022.

Results and Goals

As of December 31, 2022, we had 2,676 unique young, beginning and small customers, with total loan volume of $510 million. These include:

- 316 customers who qualify as young, with total loan volume of $50.8 million.
- 743 customers who qualify as beginning, with total loan volume of $144.2 million.
- 2,504 customers who qualify as small, with total loan volume of $483.0 million.

Frontier Farm Credit, ACA

Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

Young and Beginning Segment: The 2017 U.S. Department of Agriculture Census of Agriculture reports operators who meet the criteria for young, beginning and small, as well as farms with any operators meeting the criteria, including farms with debt. A significant change to the 2017 Census of Agriculture is the elimination of the "principal operator," making it difficult to compare numbers to previous Census of Agriculture years. In our territory, there are 1,665 farms with debt with a young operator. There are 2,867 farms with debt with a beginning operator. As of December 31, 2022, we had 316 young customers and 743 beginning customers, some of whom are counted in both categories. This equates to a young market share of 19.0 percent and a beginning market share of 25.9 percent. Total loan volume to young and beginning customers was $162 million.

Small Producer Segment: According to 2017 U.S. Department of Agriculture Census of Agriculture data, 25,550 farms representing 89.0 percent of all farms in our territory meet the definition of small (less than $250,000 in annual gross sales of agricultural products). The 2017 Census of Agriculture includes any operation with farm income in its definition of a farm.

	Potential Customers*	Frontier Farm Credit Customers	Market Share***
Young	1,665	316	19.0%
Beginning	2,867	743	25.9%
Small**	5,332	2,504	47.0%

* *2017 U.S. Department of Agriculture Census of Agriculture data of farms with debt.*

** *Potential customers in the small category are producers with debt who reported annual gross sales between $10,000 and $249,999.*

*** *Market share was computed by comparing the number of producers in the young, beginning or small categories maintaining a loan relationship with Frontier Farm Credit to the total number of producers with debt in those categories.*

Young, Beginning and Small Producer New Customer Growth

	2023 Goals	2024 Goals	2025 Goals
Young	34	35	36
Beginning	56	58	59
Small	77	78	80

Special Program Goal (AgStart): This program goal will positively affect all three young, beginning and small producer categories. Use of this outreach loan program is seen as a critical component of long-term success in the marketplace.

The Association's goal is to increase AgStart loan commitments by 8.0 percent to 12.0 percent annually.

Related Services

Young and Beginning Producer Conference: The annual Side by Side Conference was held in Omaha, Nebraska, on July 27–29, 2022. There were eight customers in attendance from Frontier Farm Credit who attended in conjunction with Farm Credit Services of America customers. Additionally, monthly webinars were hosted throughout the year on topics tailored to young and beginning producers. These educational programs provide producers with the opportunity to network with one another, learn from speakers, learn more about Frontier Farm Credit and become better-informed business managers.

Education and Finance Sponsorships: We awarded $42,000 in college scholarships for 19 students in 2022. We donated over $47,400 for state and local FFA and 4-H activities and provided additional funding and resources for young and beginning producer education, leadership programs and community grants.

Awareness

Young, Beginning and Small Producer Team: The Association implemented an enhanced strategy to serve young, beginning and small producers. This strategy includes specialized roles dedicated to directly serving the segment, as well as a program management role that designs and implements education and lending programs. A standing cross-functional team continues to guide the ongoing focus on supporting the credit and related needs of young, beginning and small producers.

Frontier Farm Credit, ACA

Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

Frontier Farm Credit Retail Office Locations

1270 N 300 Road **Baldwin City, KS** 66006	1808 Road G **Emporia, KS** 66801	2219 Natchez Street **Hiawatha, KS** 66434
2009 Vanesta Place **Manhattan, KS** 66503	835 Pony Express Highway **Marysville, KS** 66508	2005 Harding Drive **Parsons, KS** 67357

FRONTIER FARM CREDIT

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Frontier Farm Credit strives to be environmentally conscious. If you would like to receive an additional copy of our 2022 annual report, please contact us at 1-800-397-3191.

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