LEADING THE WAY

2022 ANNUAL REPORT

COMPEER FINANCIAL®

CONTENTS

LEADING THE WAY

As a member-owner of Compeer Financial®, you are vital to the **stability** and **prosperity of society** — whether you farm, work in agriculture or live in rural America. You play a critical role in providing food and other resources that **sustain communities** and **underpin economic growth**.

Even when faced with challenges like economic downturns or weather impacts, you lead the way by **finding innovative solutions**, **adapting to changing conditions** and **discovering new opportunities**.

As your cooperative, it's imperative that Compeer also leads the way. We're dedicated to innovating and advancing to ensure we're able to meet the needs of our clients now and well into the future. With new leadership, a strong focus on the vitality of rural America and a clear vision for the future, **Compeer is ready to lead the way** alongside our member-owners.

By working together, we are in a strong position and well prepared to embrace the opportunities that lie ahead.

We're proud to be the partner you can count on when it comes to financial services and so much more. You lead the way day-in and day-out with your resourcefulness, adaptability and resilience. Your passion continues to move the industry forward. We're glad to be by your side as you lead the way, transforming agriculture and rural America to be fruitful for generations to come.

LEADING SOLUTIONS

Products and Services

Compeer Financial is dedicated to partnering with those in agriculture and rural America by offering a diverse product portfolio, including:

- Agriculture Financing
- Rural Financing
- Appraisals
- Crop Insurance
- Home Loans
- Leasing
- Agribusiness Financing
- Tax & Accounting
- Title Insurance

Client Events and Education

Continued learning and networking are essential to success in agriculture. In 2022, Compeer hosted in-person and virtual educational events for our clients and the agriculture industry. Our events, webinars and educational tools are tailored with content specifically for our clients and their operations.

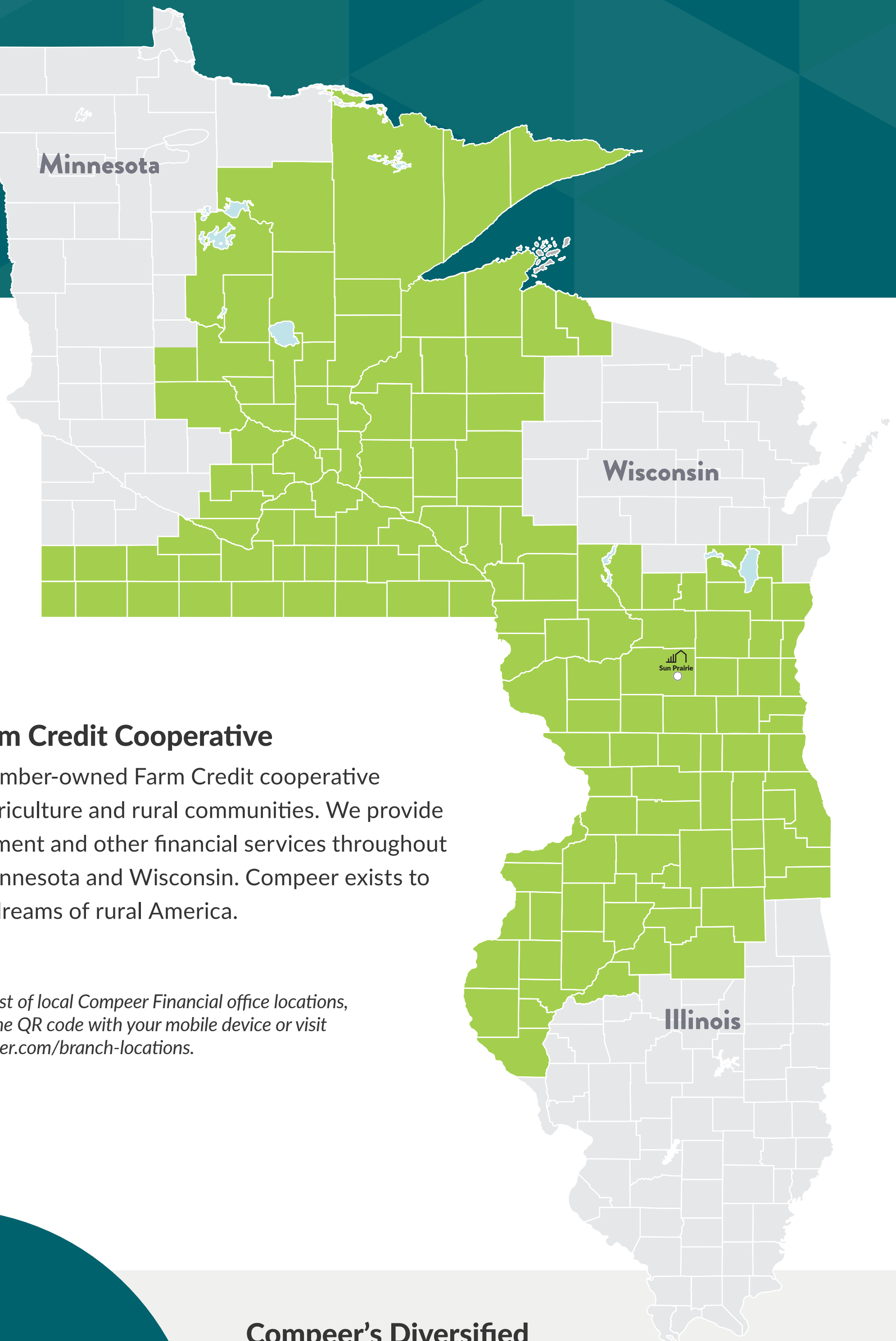
Compeer's Digital Client Care Team

As online tools continue to bring flexibility to the way we work and live, figuring out how to use digital tools for the first time isn't always easy. That's why Compeer Financial created a Digital Client Care Team — team members dedicated to helping clients understand the variety of digital tools Compeer offers.

Compeer's suite of online tools gives clients more options in how they do business with us. Tools like Online Banking, Mobile Banking and MyCompeer help clients manage their finances and operations, anywhere and anytime.

"Our Digital Client Care Team works closely not only with clients on how to use the tools but also with the technical teams at Compeer Financial who are developing and refining these tools," said Hazel Seira, who leads the new team. "We share feedback from our clients with the developers to make sure we're providing the best possible client experience. Overall, we're intentional about letting the needs of our clients guide our path to improving and expanding our digital offerings."

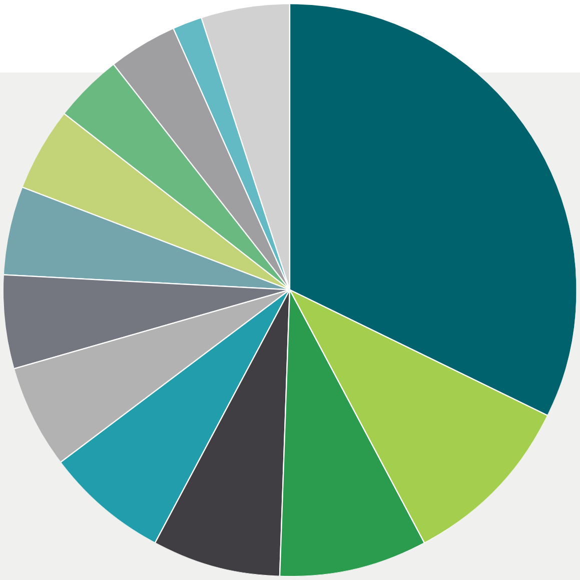
Learn more about Compeer Financial's digital tools at **compeer.com/onlineservices**. To get additional assistance with our online tools, call the Digital Client Care Team at (844) 426-6733.



Member-Owned Farm Credit Cooperative

Compeer Financial is a member-owned Farm Credit cooperative serving and supporting agriculture and rural communities. We provide loans, leases, risk management and other financial services throughout 144 counties in Illinois, Minnesota and Wisconsin. Compeer exists to champion the hopes and dreams of rural America.

For a list of local Compeer Financial office locations, scan the QR code with your mobile device or visit compeer.com/branch-locations.



Compeer's Diversified Portfolio – 2022

BY THE NUMBERS

Compeer Financial is committed to the cooperative model and the value it brings to our member-owners. We aim to provide a wide array of financial options for clients of all backgrounds and operations of all sizes while bringing strength, security and progress to our organization. Through our robust patronage and corporate giving programs, we are leading the way in agriculture and rural communities.

$29.7 B

IN FINANCIAL ASSETS

In 2022, Compeer Financial increased total assets to $29.7 billion and grew total equity to $4.7 billion.

$202 M

PATRONAGE RETURNED

In 2022, Compeer Financial returned a total of $202 million in patronage to member-owners. Clients received cash patronage payments of $150 million and over $52 million in allocated equity payments. Compeer expects to return $202 million in patronage to clients again in 2023. Since its inception in 2017, and including 2023 payouts, Compeer has returned more than $1 billion to member-owners.

THE FUND FOR RURAL AMERICA

Compeer Financial continues our commitment of giving back 1% of net income through the Fund for Rural America, our corporate giving program. Nearly $4.8 million was allocated in 2022 to support grant programs, scholarships and annual commitments throughout our territory.

We also continued the work of Compeer's donor-advised fund to further develop the agriculture workforce. Compeer has committed $1.9 million over the course of five years to grants and scholarships at 30 community and technical colleges across Illinois, Minnesota and Wisconsin to fund needs for vocational agriculture education.

1%

OF EARNINGS

$1.9M

FOR AG WORKFORCE DEVELOPMENT

73,376

MEMBER-OWNERS

1,345

TEAM MEMBERS

LEADING THE WAY

Meet our Executive Leadership Team and Board of Directors

2023 Executive Leadership Team

Compeer Financial is led by an Executive Leadership Team that oversees the cooperative's day-to-day operations and drives success through building on and executing the organization's strategy. The leadership team at Compeer has extensive experience and expertise in the Farm Credit System.

JASE WAGNER
President & CEO

MATT GINDER
Chief Core Markets Officer

JOHN HEMSTOCK
Chief Human Resources Officer

TERRY L. HINDS
Chief New Markets & Assurance Officer

PAUL KOHLS
Chief Administrative Officer & General Counsel

JOHN MONSON
Chief Mission Officer

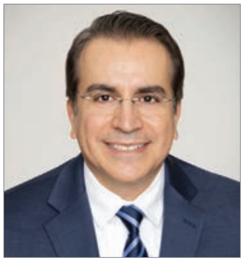
BILL MOORE
Chief Risk Officer

JIM ROBERGE
Chief Diversified Markets Officer

JERRY WIESE
Chief Information Officer

Board of Directors

The member-owners of Compeer Financial are represented by 15 directors — 12 of whom are elected and three who are appointed. The directors represent various types of farming operations, agricultural industries and geographic locations, bringing diverse viewpoints to board discussions and decision making. They set business direction and evaluate operations while taking into consideration client needs and the changing marketplace.


AKIN AGAR


ASHLEY AHL


RODNEY BOSMA


ANN BROOME


ALLYN BUHROW

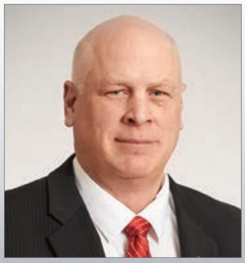

MARK CADE


DAN ERICKSON


TIM EVERT


LARRY FISCHER


DALE HOLMGREN


DAVE PETERS


GREG POLLESCH


DANIEL SCHEIDER


KIMBERLY WEDIG


STEPHANIE WISE

COMPEER FINANCIAL MARKS $1 BILLION IN PATRONAGE IN 2023

Member-owners of Compeer Financial share in the success of the cooperative through the organization's patronage program, which returns a significant portion of our earnings back to our clients in agriculture and rural America every year.

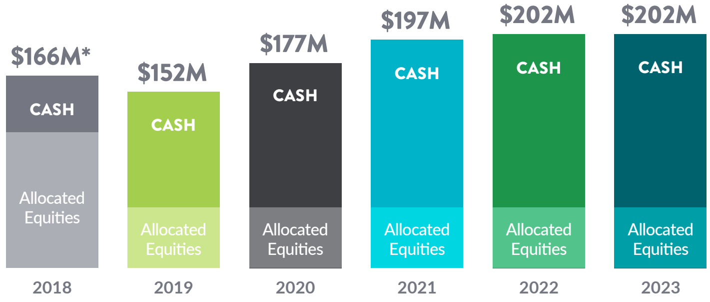
Compeer is committed to the cooperative model and understands how powerful it is for our clients to have this extraordinary benefit. By returning these earnings directly back to our member-owners, they can invest in their operation, their children and families, their rural communities and their future.

$1 Billion Milestone

In 2023, the total amount of patronage returned to member-owners since Compeer Financial was formed in 2017 will hit the $1 billion mark. With a diverse portfolio, solid financial performance and meticulous risk management, Compeer and our member-owners have benefited from this robust program and reached this incredible milestone more quickly than expected — a milestone that demonstrates the power of the cooperative model and one that is worthy of celebration!

2023 Patronage: $202 Million

In 2023, member-owners will receive $202 million in patronage. This includes $52 million in allocated equities (for business member-owners had with us prior to the formation of Compeer) and $150 million in cash patronage for business clients had with Compeer in 2022.



**2018 patronage returns include a one-time additional distribution of approximately $75M in allocated equities.*

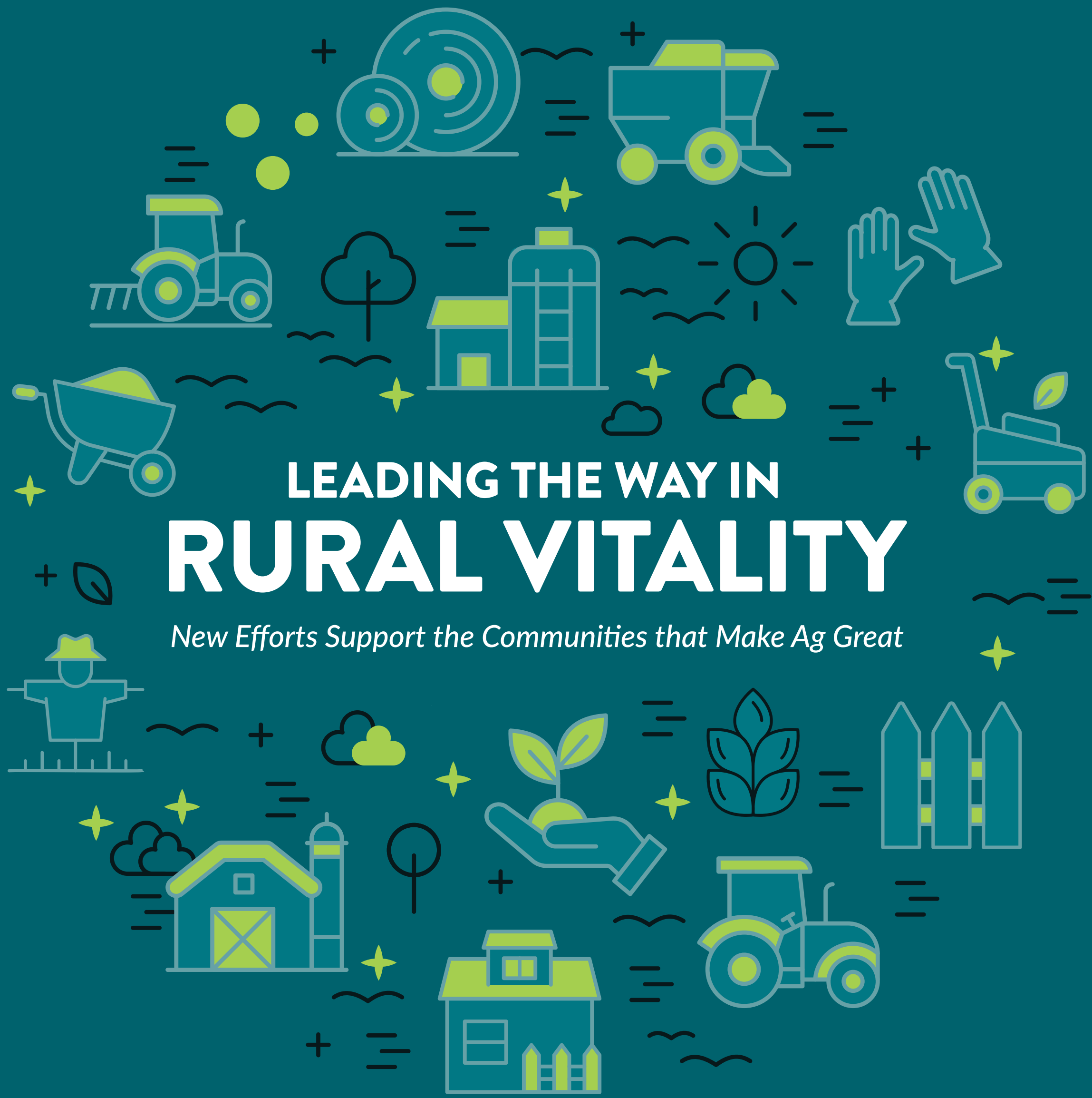
Learn more about how being a member-owner pays at **compeer.com/patronage**

"The Board of Directors at Compeer Financial is deeply committed to our patronage program and returning earnings to our member-owners every year. It's an advantage of working with a cooperative and has a positive impact on the clients we serve in agriculture and rural America. Whether patronage checks are used for improving equipment for the next harvest, paying for fertilizer, offsetting input costs, paying for education or even taking a vacation, it's an incredible benefit that comes with being part of this strong cooperative."

– ASHLEY AHL, COMPEER CLIENT & BOARD MEMBER

"As a farmer in southern Minnesota, the patronage program at Compeer Financial adds real value for my family and our operation. Receiving a check every year because of our partnership in this cooperative allows us to reinvest in the farm, accelerating our efficiency and growth potential. As a Board member at Compeer, I'm committed to ensuring the health of the organization so this valuable benefit continues for generations to come."

– DAN ERICKSON, COMPEER CLIENT & BOARD MEMBER



LEADING THE WAY IN RURAL VITALITY

New Efforts Support the Communities that Make Ag Great

Agriculture and rural communities are interdependent. Each needs the other to function and thrive. This has become increasingly true through the years as populations have shifted geographically and the needs of both have evolved. That's why Compeer Financial has been committed to supporting rural America, beyond just ag financing, since our inception. In 2023, rural vitality will become an official focus for our organization.

"Since the pandemic, we've seen big shifts in how people live and work," said John Monson, Compeer's chief mission officer. "In the last three years, we've seen more people interested in moving to rural areas, and we know from experience that rural communities are an attractive place to live, work and raise a family."

The concept of rural vitality — wherein rural societies are active, strong and able to support a thriving economy — means an improved quality of life for Compeer clients and their communities and a stronger voice for rural issues on the national stage.

"Compeer Financial already invests in rural health care, entrepreneurs and education through many of our current programs," Monson said. "But we know there's an incredible opportunity to help more communities move from just surviving to thriving."

THE FUND FOR RURAL AMERICA

Giving back is one way Compeer Financial champions the hopes and dreams of rural America. From the start, our cooperative has made a strong philanthropic commitment by dedicating **1 percent of our net earnings each year** to our Fund for Rural America.

The Fund focuses giving in five areas important to our clients and rural communities: agricultural advocacy and development, agriculture education, cooperative initiatives, rural development and community enrichment, and youth engagement. Funding is distributed through **12 grant and scholarship programs** and through annual commitments that allow organizations to continue their important work.

Compeer's grants focus on the future of the rural communities we serve. Grants are available for agriculture teachers, county fair facilities, farmers markets, emergency response departments and organizations that lead the way in agriculture and the future of rural life.

MISSION FINANCING

Compeer's Mission Financing team is uniquely positioned to help rural communities prosper by **providing financing for essential community infrastructure needs**. The projects we fund help create jobs, add economic strength and diversity, and contribute to the vitality of rural communities.

From investing in projects through the purchase of community-issued bonds to facilitating partnerships with the USDA and other lending institutions, our commitment to enhancing life in rural America is evident in everything we do. When community and business leaders have access to the long-term, fixed-rate financing they need, everyone wins.

Through our Mission Financing program, Compeer helps finance projects like health care centers, senior care facilities and public safety infrastructure for not-for-profit organizations. Our vision is to enhance life in rural America by meeting the unique capital needs of these projects and investing in our local communities.

RURAL BUSINESS INVESTMENT PROGRAM

Investing in rural communities is at the heart of Compeer Financial's mission. It has guided our collaborations with the U.S. Department of Agriculture (USDA), congressional leaders, financial institutions, private investors and other Farm Credit associations to build a portfolio of investment funds licensed by the USDA under the Rural Business Investment Program (RBIP).

RBIP promotes economic development and job creation in rural areas by licensing third-party fund managers to raise capital and make investments in private companies in rural America. In 2014, seeing a shortage of flexible capital in rural America, Compeer Financial and other Farm Credit associations organized the first national focused and privately managed fund under RBIP.

Compeer's leadership in this arena has generated capital commitments of **more than $1 billion to investment funds** dedicated to advancing rural America. Ultimately, these funds help rural businesses to expand operations, invest in new technologies, offer employment and more — furthering resiliency and opportunity within communities.

WHAT'S NEXT?

In 2023, Compeer has committed to investments and partnerships that will help create thriving rural economies. Through public, private and nonprofit partnerships, Compeer will invest in pilot programs within our territory to learn more about the needs of rural communities and provide support. The pilots will focus on supporting entrepreneurship and rural economic growth in different kinds of rural communities. **Compeer's donor-advised fund has committed $3 million in funding toward rural vitality projects**.

"As we lead the way and kick off our focus on rural vitality, learning and listening are just as important at the onset as doing," explained John Monson, Compeer's Chief Mission Officer. "Maybe it's broadband, maybe it's infrastructure, maybe it's workforce training, maybe it's leadership and coaching. We start by learning and then apply these lessons, prioritizing our investments and partnerships. We are excited about developing a strong strategy that can serve as a model across the nation when it comes to bolstering the vitality of rural America. We have a lot of opportunities ahead of us to make an impact."

DEAR MEMBER-OWNERS,

In 2022, Compeer Financial marked its five-year anniversary, announced the appointment of Jase Wagner to serve as the cooperative's new CEO, provided record patronage payments to our member-owners and much more. Since our cooperative was formed with the merger of three Farm Credit Associations five years ago, the team at Compeer has done incredible work to grow and meet the needs of our clients in agriculture and rural America. The industry we serve is vital to the prosperity of our communities and underpins economic growth in our nation and around the world. Those who work in agriculture are well known for their resourcefulness, and we know your ability to adapt and innovate is what allows you to lead the way despite the range of challenges — many out of your control — that you face.

As you lead the way in agriculture and rural America, Compeer Financial also continues to lead the way as a financial services partner, committed to being innovative and embracing the many opportunities our future holds.

2022 RESULTS

In the face of market uncertainty, rising interest rates, inflation and volatility from quarter to quarter, Compeer Financial's growth continued in 2022, and our cooperative ended the year in a strong position. The organization was built on a sturdy foundation with a diverse portfolio, and our sound credit quality reflects solid performance by our clients, who also navigated these challenges throughout the year. In 2022, Compeer grew by nearly $3 billion with assets now totaling nearly $30 billion. This success — bolstered by our clients' success — means we will return $202 million in patronage to our member-owners in 2023.

We'll also celebrate a noteworthy milestone in 2023 and cross the threshold of $1 billion in patronage being returned to our member-owners since Compeer was formed in 2017!

THE VITALITY OF RURAL AMERICA

Compeer's mission is to enrich agriculture and rural America. It's the measure by which we do everything. We've had a very strong focus on supporting agriculture — a commitment that won't waver. But we know investing in the communities that surround the industry is critical to rural America's overall stability and prosperity.

We have a great start. In 2022, our philanthropic efforts totaled nearly $4.8 million in giving through grants, scholarships and annual commitments that benefit rural America. We recently reached $1 billion in investments for mission-related projects like health care facilities and senior centers, which are vital for rural America to thrive. Compeer Financial is also a leader in the Rural Business Investment Program (RBIP), which also reached the investment milestone of $1 billion. This program helps generate capital commitments to make investments in rural businesses and is an essential source of capital, which can often be hard to procure in rural America, to help these businesses expand, add new technology and build their workforce. While our investments are robust, we can do more.

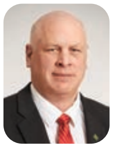
In 2023, we look forward to exploring opportunities to strengthen rural America beyond financial services — whether it's establishing unique partnerships, helping give a louder voice to rural communities or providing resources to innovative entrepreneurs. It's a symbiotic relationship. Rural America needs agriculture and agriculture needs rural America to prosper. We know there are opportunities for Compeer to utilize our resources, expertise and influence to create positive change and lasting results.

THE FUTURE OF COMPEER

Over the last five years, Compeer Financial has grown and evolved to meet our clients' needs. This evolution will continue as we lead the way by embracing creative ideas, continuing our trajectory of growth, investing in the future and delivering strong results for our clients. The future is bright as we continue to increase value for our member-owners and meet rural America's growing needs. We are grateful for our dedicated member-owners and look forward to serving you in the years ahead.

Sincerely,

Jase Wagner, President and CEO



David H. Peters, Chairperson of the Board

FINANCIAL REPORT

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Compeer Financial, ACA

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Compeer Financial, ACA

(dollars in thousands)

As of December 31	**2022**	2021	2020	2019	2018
Condensed Consolidated Statement of Condition Data					
Loans held to maturity	**$ 26,719,853**	$ 24,490,167	$ 22,585,104	$ 19,903,565	$ 18,753,659
Allowance for loan losses	**52,663**	63,700	89,157	78,504	59,928
Net loans held to maturity	**26,667,190**	24,426,467	22,495,947	19,825,061	18,693,731
Loans held for sale	**5,014**	24,896	51,541	27,807	18,496
Net loans	**26,672,204**	24,451,363	22,547,488	19,852,868	18,712,227
Cash	**2,400**	2,400	2,300	2,300	2,300
Investment securities	**1,305,075**	1,125,961	1,149,438	1,172,537	995,140
Investment in AgriBank, FCB	**922,546**	751,956	662,203	623,330	567,596
Other assets	**771,084**	676,818	580,842	532,898	476,974
Total assets	**$ 29,673,309**	$ 27,008,498	$ 24,942,271	$ 22,183,933	$ 20,754,237
Obligations with maturities of one year or less	**$ 632,490**	$ 508,017	$ 458,019	$ 449,418	$ 413,132
Obligations with maturities greater than one year	**24,349,070**	22,100,691	20,458,004	17,927,105	16,739,126
Total liabilities	**24,981,560**	22,608,708	20,916,023	18,376,523	17,152,258
Preferred stock	**200,000**	200,000	100,000	100,000	100,000
Capital stock and participation certificates	**39,853**	34,630	33,842	32,737	33,062
Capital stock and participation certificates receivable	**(20,220)**	(6,589)	(5,576)	--	--
Additional paid-in capital	**1,780,603**	1,780,603	1,780,603	1,780,603	1,780,603
Allocated surplus	**215,380**	267,939	321,115	373,898	426,776
Unallocated surplus	**2,487,557**	2,142,989	1,813,294	1,531,824	1,272,556
Accumulated other comprehensive loss	**(11,424)**	(19,782)	(17,030)	(11,652)	(11,018)
Total equity	**4,691,749**	4,399,790	4,026,248	3,807,410	3,601,979
Total liabilities and equity	**$ 29,673,309**	$ 27,008,498	$ 24,942,271	$ 22,183,933	$ 20,754,237
For the year ended December 31	**2022**	2021	2020	2019	2018
Condensed Consolidated Statement of Income Data					
Net interest income	**$ 609,960**	$ 549,849	$ 524,053	$ 481,789	$ 474,567
Provision for loan losses	**(11,000)**	(15,000)	27,894	20,777	15,249
Other expenses, net	**106,387**	66,499	56,267	64,391	55,472
Net income	**$ 514,573**	$ 498,350	$ 439,892	$ 396,621	$ 403,846
Key Financial Ratios					
For the Year					
Return on average assets	**1.9%**	2.0%	1.9%	1.9%	2.0%
Return on average equity	**11.3%**	11.7%	11.1%	10.6%	11.5%
Net interest income as a percentage of average earning assets	**2.3%**	2.3%	2.4%	2.4%	2.5%
Net charge-offs as a percentage of average loans	**0.0%**	0.0%	0.1%	0.0%	0.0%
At Year End					
Equity as a percentage of total assets	**15.8%**	16.3%	16.1%	17.2%	17.4%
Allowance for loan losses as a percentage of loans	**0.2%**	0.3%	0.4%	0.4%	0.3%
Common equity tier 1 ratio	**13.2%**	13.9%	14.3%	15.0%	14.7%
Tier 1 capital ratio	**14.0%**	14.6%	14.7%	15.5%	15.2%
Total capital ratio	**14.9%**	15.8%	15.2%	15.9%	15.6%
Permanent capital ratio	**14.8%**	15.7%	15.0%	15.9%	15.7%
Tier 1 leverage ratio	**14.1%**	14.9%	14.8%	15.4%	15.3%
Net Income Distributed					
For the Year					
Patronage distributions:[1]					
Cash	**$ 149,902**	$ 145,000	$ 125,000	$ 99,142	$ 47,728
Redemption of allocated surplus	**52,000**	52,000	52,000	52,436	118,561
Other distributions	**7,319**	6,758	6,198	5,007	1,562
Preferred stock dividends	**11,625**	9,025	6,750	6,750	6,750
Other					
Gross pool program loans serviced for AgriBank, FCB	**2,409,026**	2,172,517	1,767,208	1,968,256	2,088,888

[1]Additional information regarding the patronage programs is included in Note 9 to the accompanying Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Compeer Financial, ACA

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

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

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

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

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

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FinancialReporting@AgriBank.com

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

FORWARD-LOOKING INFORMATION

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

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

AGRICULTURAL AND ECONOMIC CONDITIONS

2022 finished as a favorable year for the agriculture sector and the American farmer despite several headwinds, including geopolitical conflicts, inflation, labor shortages, and interest rate increases. The Russian and Ukrainian conflict led to significant international trade disruptions. Inflationary pressure, and resultant aggressive monetary policy response, drove rising cost structures across agricultural industries. Labor shortages remain across a host of industries, from packing to transportation and production, with agriculture not immune. The economy and agricultural producers adapted and adjusted to meet strong demand, despite these highlighted concerns. Commodity prices remained generally favorable. While costs increased, margins remained sufficient for most producers to maintain at least breakeven profitability levels. Locally, the diverse Compeer credit portfolio, spanning production agriculture, processing, rural infrastructure, and related industries, exhibited strong credit quality performance.

Inflation dominated domestic consciousness in 2022. Cost increases for food, services, energy, and asset prices had a significant impact on consumer budgets; however, demand for food, goods, and services remained resilient, despite increased costs, largely due to a strong labor market. The January 2023 Consumer Price Index release estimated year-over-year inflation at 6.5%. After a slow initial response, the Federal Reserve began aggressively raising its benchmark federal funds rate in a bid to cool economic demand and tame inflation. Despite initial resilience to these higher rates, signs started to point toward slower inflation growth in the latter months of 2022. In its August Land Values 2022 Summary report, the United States Department of Agriculture (USDA) indicated that assets, such as farm real estate, across Compeer's territory increased on average about 15%, but increases have moved more slowly since.

Compeer generates a significant portion of its income from the grain, dairy, and swine sectors of production agriculture. Each of these industries is experiencing varied impacts from inflation, labor markets, and interest rates; however, overall, conditions remain favorable as forecasts generally include prices sufficient to hit elevated breakeven levels.

In its January 2023 World Agricultural Supply and Demand Estimate (WASDE), the USDA slightly lowered the forecast for 2022 corn production. This lower production forecast was offset by lower expected usage, particularly in export, feed, and food/seed demand. Overall ending stocks were forecast slightly lower by 15 million bushels. As a result, the USDA left the seasonal average price expectation for corn at $6.70 per bushel. Similarly, the USDA slightly lowered the production of soybeans from its previous forecast. As with corn, the soybean usage forecast was also lowered, particularly in export activity. The report expects tight ending soybean stocks to remain, resulting in favorable prices. The expected seasonal average price for soybeans was raised to $14.20 per bushel, largely the result of a slight decline in carry-over inventory.

Dairy producers benefitted from strength across milk class prices throughout 2022, which offset elevated feed costs due to strong grain prices. The favorable milk price allowed most producers to remain at or above breakeven levels for 2022, even when feed costs and inflation-driven increases in other expenses and interest rates drove breakeven levels upward. In its December 2022 Milk Production report, the USDA indicated an increased number of cows and overall milk production from the same period in 2021 across the major dairy producing states. Overall, the USDA projects 2022 annual average Class III Milk price at $21.94 per hundredweight (cwt) produced. The WASDE report estimates a 2022 all-milk price of $25.55 per cwt, compared to $18.53 per cwt in 2021. Looking forward, expenses are likely to remain elevated in 2023, and dairy prices are expected to pullback throughout the year. The USDA expects Class III milk to decrease to an average $18.85 per cwt in 2023, while the all-milk price will average $21.60 per cwt. At these price levels, and as producers grapple with the elevated cost structure described previously, the 2023 expected dairy profits will be less favorable; however, revenue and margin protection products continue to provide Compeer clients the tools to mitigate volatility within the market.

Similar to the dairy industry, a strong grain market coupled with inflation led significant cost increases within the swine sector. Individual client profitability continues to be driven by not only cash prices, but also by the impacts of contracts and integrator relationships on our clients' businesses. U.S. pork production, as of December 2022, consisted of 73.1 million head, a 2% decrease from the same period in 2021. The USDA's December 2022 Quarterly Hogs and Pigs report indicates that, while breeding inventory rose slightly, market hogs drove the decrease in year-over-year numbers. In forecasting the December-to-February quarter, the USDA expects farrowing of 2.95 million sows, which is up slightly from year-ago levels. African Swine Fever (ASF) remains a drag on the global pork supply and demand, as inventory flows react to trade decisions allowing or barring products from infected countries and regions.

In December, the USDA updated its net farm income forecast to $160.5 billion, a $19.5 billion increase over 2021. The update also estimated net cash income for 2022 at $187.9 billion, a $39.4 billion year-over-year increase. The forecast assumes increases in grain and animal product receipts that offset lower estimated government payment revenue, which is projected to be $16.5 billion, a decrease of $9.4 billion largely due to lower pandemic and disaster support.

Along with the production agriculture portfolio, Compeer maintains a robust rural housing portfolio. This sector relies upon the health of the overall economy, interest rates, and general employment. The December 2022 U.S. Bureau of Labor Statistics unemployment rate of 3.5% continues the trend of tight labor market unemployment levels. This labor market tightness has contributed to elevated inflation levels, wage growth, and the resulting interest rate increases in 2022. Inflation-driven asset price increases, including home prices, slowed in the latter part of the year as higher rates cooled demand. More aggressive Federal Reserve monetary policy has driven rises in interest rates across the spectrum, including those for home mortgages.

Favorable conditions across several core portfolio industries created significant market opportunities for producers, despite an inflationary and rising interest rate environment. Even with tighter expected 2023 margins, most producers can lock in returns at or near breakeven levels for the coming year. Our core credit objectives of working with clients to promote risk management, ensuring high quality financial statements and production reports, encouraging disciplined marketing plans, and providing individualized servicing plans and strategies remain unchanged. Compeer also remains committed to being an advocate for positive legislative changes that improve prospects for agriculture and rural America.

LOANS HELD TO MATURITY

Loan Portfolio

Total loans were $26.7 billion at December 31, 2022, an increase of $2.2 billion from December 31, 2021. Total loans include loans held to maturity, finance leases, and conditional sales leases (hereinafter collectively referred to as loans).

Components of Loans

(in thousands)

As of December 31	**2022**	2021	2020
Accrual loans:			
Real estate mortgage	**$ 13,883,898**	$ 13,341,871	$ 11,621,546
Production and intermediate-term	**4,356,281**	4,085,450	4,025,459
Agribusiness	**5,619,806**	4,591,757	4,630,569
Other	**2,764,192**	2,356,666	2,170,180
Nonaccrual loans	**95,676**	114,423	137,350
Total loans	**$ 26,719,853**	$ 24,490,167	$ 22,585,104

The other category is primarily composed of rural infrastructure, agricultural export finance, and rural residential real estate related loans as well as finance and conditional sales leases and certain assets characterized as mission related investments.

The increase in total loans from December 31, 2021, to December 31, 2022, was driven by wide-spread growth across all of our business sectors, led by capital markets and core markets. See the Business Units sub-section (within the Other Relationships and Programs section) for further details on each of our business sectors. This overall annual increase did not come without volatility. Ongoing 2021 growth momentum and the Russian and Ukrainian conflict spurred early 2022 loan growth, particularly in agribusiness loans. Normal seasonality, along with high grain prices and grain sales, then decreased loans (particularly production and intermediate-term loans) in the second quarter. Growth again prevailed during the third and fourth quarters of 2022, even in the face of rising interest rates, with real estate mortgage and agribusiness loans continuing their steady increases, and end-of-year borrowings increasing overall operating loan balances.

Compeer participates in pool programs to optimize capital levels and build relationships. On May 1, 2022, we sold a participation interest in primarily real estate loans under the Agri-Access® pool program, totaling $176.6 million to AgriBank and other District associations. This 2022 sale was in addition to sales made in previous periods through the Agri-Access pool program. Also, on October 1, 2022, we sold a participation interest in certain loans and unfunded loan commitments to AgriBank totaling $326.8 million and $125.8 million, respectively. Again, this 2022 sale was in addition to sales made in previous periods through other pool programs. The total outstanding participation interests in all pool programs were $2.4 billion, $2.2 billion, and $1.8 billion at December 31, 2022, 2021, and 2020, respectively.

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

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

Portfolio Distribution

We are chartered to serve certain counties in Illinois, Minnesota, and Wisconsin. At December 31, 2022, approximately 22.0% of our loan portfolio was within our territory in Illinois, 19.1% was within our territory in Minnesota, and 15.7% was within our territory in Wisconsin. The remainder of our portfolio is from outside of our territory to support rural America and to diversify our portfolio risk.

Agricultural Concentrations

As of December 31	**2022**	2021	2020
Cash grains	**32.4%**	33.2%	31.8%
Food products	**9.9%**	8.4%	8.8%
Dairy	**8.3%**	9.2%	9.7%
Agribusiness	**7.4%**	7.1%	8.5%
Swine	**6.8%**	7.1%	7.4%
Energy power and telecom	**5.9%**	5.8%	6.5%
Other crops	**5.2%**	5.3%	4.7%
Landlords	**5.2%**	5.3%	5.1%
Cattle	**4.5%**	4.3%	4.0%
Paper, packaging, and timber	**4.1%**	3.9%	4.0%
Rural home	**3.7%**	3.7%	3.3%
Poultry and other livestock	**1.7%**	1.8%	1.9%
Other	**4.9%**	4.9%	4.3%
Total	**100.0%**	100.0%	100.0%

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

Portfolio Credit Quality

The credit quality of our portfolio remained stable from December 31, 2021. Adversely classified loans increased slightly to 2.0% of the portfolio at December 31, 2022, from 1.9% of the portfolio at December 31, 2021. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses. Additional credit quality information is included in Note 3 to the accompanying Consolidated Financial Statements.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. Loans substantially guaranteed under these government programs totaled $1.1 billion at December 31, 2022, 2021, and 2020. In addition, $215.0 million, $252.1 million, and $329.6 million of our loans were substantially guaranteed through the Federal Mortgage Corporation (Farmer Mac), a System institution, Standby Commitment Program at December 31, 2022, 2021, and 2020, respectively.

Commodity market strength, which began in 2020 and continued into 2021, persisted throughout 2022 for several core commodities. The environment, coupled with sound risk management practices, was beneficial for clients, as both profitability and asset prices improved. As a result, Compeer saw total nonaccrual loans, as well as total risk assets, decrease significantly during 2022. See the Risk Assets subsection for a more detailed discussion of these changes.

As growing conditions were influenced by weather (either drought or excessive moisture), grain production in 2022 was varied throughout the territory, although most producers remained at near-trend yields. Nationally, inventory volumes remain tight as demand for grain remains strong, despite recent declines in export volumes. These tight inventory levels benefitted producers by supporting favorable price levels throughout the year. Farmland prices in Compeer's territory exhibited strength through mid-year, before stabilizing as interest rate increases slowed additional growth in values. Much of Compeer's territory remains at near-record farmland price levels, fueled by favorable commodity margins, previously low interest rates, and a number of willing buyers. It is true that all areas and classes of farmland increased significantly; however, there were specific parcel valuations that moved independently based on quality, availability, and prior land values. This type of activity has historically signaled a change in momentum.

Dairy prices were favorable throughout 2022, creating positive margins, despite rising feed costs and other expenses. The current price outlook suggests a less favorable 2023 for more producers; however, prices are forecast to be at near breakeven levels, and risk management tools such as Dairy Revenue Protection are available to help protect profitability. In 2022, favorable market conditions allowed credit upgrades to widely outpace downgrades. While 2023's expected conditions are less favorable than 2022's conditions, it does appear sufficient to maintain similar positive credit quality levels throughout 2023.

The profitability of most swine producers is directly tied to the type of contract and pricing from which they operate. Producers tied to cutout values (which make up the majority of Compeer's swine portfolio) are more insulated from the negative effects of volatility than those that are tied to board prices. ASF and other animal diseases continue to influence the market, as infected production regions struggle with inventory rebuilding, reinfections, and trade closures. Infections have driven market action as importers adjusted purchases away from infected areas. U.S. production has benefitted from ASF-free status, though recent export activity has lessened. Looking forward, most producers are expected to break even for 2023, though the increased cost environment may limit upward profit potential.

Overall, the agribusiness portfolio continues to perform as expected. This portfolio includes a diverse range of clients and industries, unlike core agricultural product groupings. Though the sectors comprising the agribusiness portfolio largely remained profitable in 2022, the results varied based on the underlying business and its relationship with the supply chain.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of December 31		**2022**		2021		2020
Loans:						
Nonaccrual	**$**	**95,676**	$	114,423	$	137,350
Accruing restructured		**9,138**		6,931		9,071
Accruing loans 90 days or more past due		**8,356**		9,091		3,151
Total risk loans		**113,170**		130,445		149,572
Other property owned		**722**		10,342		3,040
Total risk assets	**$**	**113,892**	$	140,787	$	152,612
Total risk loans as a percentage of total loans		**0.4%**		0.5%		0.7%
Nonaccrual loans as a percentage of total loans		**0.4%**		0.5%		0.6%
Current nonaccrual loans as a percentage of total nonaccrual loans		**62.6%**		70.9%		62.2%
Total delinquencies as a percentage of total loans		**0.4%**		0.4%		0.5%

Note: Accruing loans include accrued interest receivable.

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

The overall decrease in nonaccrual loans during 2022 was driven by broad-based activity across many business sectors, particularly within the real estate mortgage portfolio, as well as a limited number of larger loans either paying down or being moved back to accrual status. These decreases were partially offset by the movement of a limited number of larger capital markets and swine loans to nonaccrual status. Nonaccrual loans remained at an acceptable level at December 31, 2022, 2021, and 2020.

Our accounting policy requires loans past due 90 days or more to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis, accruing loans 90 days or more past due as of December 31, 2022, 2021, and 2020, were adequately secured and in the process of collection, and as a result, were eligible to remain in accruing status.

The decrease in other property owned is primarily due to the sale of various properties that had been associated with one food and agribusiness customer.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans inherent in our portfolio as of the financial statement date. Significant downturns in circumstances related to loan quality and economic conditions could result in the requirement for additional allowance. Likewise, an upturn in loan quality and improved economic conditions may allow a reduction (reversal) in the required allowance.

We determine the appropriate level of allowance for loan losses based upon our quarterly allowance for loan losses calculation. This calculation is based upon loan balances as of the current date, as well as charge-offs and recoveries for the period. In addition, the calculation is based on a significant number of assumptions made by management. These assumptions are determined based on factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions. Due to the subjectivity of these factors, management's assumptions are reviewed on an ongoing basis as part of the preparation of the quarterly calculation and updated as necessary. During 2021, assumptions were updated, including: estimated probability of default loss rates being updated based on the most current data released, and updating loss rates due to improved portfolio quality and economic conditions. In addition, during 2022, another assumption within the calculation was updated. It was determined that a decrease of the placement of our allowance within the calculated overall range was appropriate due to improvements in credit quality and our continued low number of adverse assets (even in the face of inflationary pressures). These changes to our assumptions, along with improved credit quality, resulted in reductions of the allowance for loan losses during both 2022 and 2021.

In addition, our pool program activity has had an impact on our allowance for loan losses. See the Loan Portfolio sub-section for a discussion of that pool activity. For the participations Compeer sold to AgriBank, the portion of our allowance associated with those sold loans needed to be removed from our existing allowance. As a result, the effect of these pool transactions was a reduction of Compeer's allowance for loan losses during both 2022 and 2021.

The required level of allowance for loan losses is adjusted through the provision for loan losses expense. Provision for loan losses expense increases the allowance, while reversals of provision for loan losses expense decrease the allowance. See the Provision for Loan Losses sub-section (within the Results of Operations section) for a discussion on the impact that the calculated reductions of the allowance for loan losses had on the provision for loan losses expense during the years ended December 31, 2022, and 2021.

Allowance Coverage Ratios

As of December 31	**2022**	2021	2020
Allowance as a percentage of:			
Loans	**0.2%**	0.3%	0.4%
Nonaccrual loans	**55.0%**	55.7%	64.9%
Total risk loans	**46.5%**	48.8%	59.6%
Net charge-offs as a percentage of average loans	**0.0%**	0.0%	0.1%
Adverse assets to capital and allowance for loan losses	**11.7%**	10.9%	15.9%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at December 31, 2022. We will continue to monitor the allowance for loan losses and allowance coverage ratios on an ongoing basis.

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

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

As a result of adoption of this guidance, the allowance for loan losses decreased by $14.3 million and a reserve for unfunded commitments of $4.2 million was recognized. The decrease in the allowance for loan losses is largely due to the requirement of the standard to estimate losses to the assets’ contractual maturities, resulting in a decrease of allowances attributable to our short-term portfolios. Partially offsetting the decline are modest increases in allowance attributable to our long-term real estate portfolios. Additional information related to the adoption of this new guidance is included in Note 2 to the accompanying Consolidated Financial Statements.

Additional loans held to maturity information is included in Notes 3, 12, 13, and 15 to the accompanying Consolidated Financial Statements.

LOANS HELD FOR SALE

We originate loans held for sale under our secondary market program, which is a rural residential mortgage program designed to provide qualified borrowers with options for competitive rate financing of rural homes in small towns or that are part of a hobby farm, pastureland, or tillable acreage. The volume in this program was $5.0 million, $24.9 million, and $51.5 million at December 31, 2022, 2021, and 2020, respectively. Loans closed under this rural residential mortgage program will be sold to and securitized by third-party investors, Farmer Mac and Federal Home Loan Mortgage Corporation (Freddie Mac).

We sold loans originated under this program in the secondary market totaling $51.2 million, $110.5 million, and $197.8 million in 2022, 2021, and 2020, respectively. In addition, we sold rural home loans in the secondary market through our RuraLiving® program totaling $63.2 million, $113.2 million, and $123.4 million in 2022, 2021, and 2020, respectively. For additional information regarding these transactions and loans held for sale, refer to Notes 4 and 15 to the accompanying Consolidated Financial Statements.

INVESTMENT SECURITIES

In addition to loans and leases, we hold investment securities. We had held-to-maturity investment securities of $1.3 billion, $1.1 billion, and $1.1 billion at December 31, 2022, 2021, and 2020, respectively. Our investment securities primarily include mortgage-backed securities (MBS) issued by Farmer Mac or guaranteed by the Small Business Administration (SBA) or USDA, asset-backed securities issued and guaranteed by SBA or USDA, and bonds.

We purchased MBS investments that were classified as held-to-maturity during the years ended December 31, 2022, 2021, and 2020. In addition, we also purchased MBS investments that were classified as available-for-sale during the year ended December 31, 2020. These securities are all included in “Investment securities” on the Consolidated Statements of Condition. Included within our held-to-maturity investment securities portfolio were Farmer Mac MBS of $602.2 million, $666.3 million, and $731.9 million as of December 31, 2022, 2021, and 2020, respectively.

Loans closed under our RuraLiving program are sold to and securitized by Farmer Mac, and we typically purchase the resulting securities from Farmer Mac. Effective October 1, 2020, we now classify all of those purchased securities as held-to-maturity. Prior to that date, we would actively market and sell those resulting securities within 30 days of our purchasing them; hence, we classified them at that time as available-for-sale. We sold available-for-sale investment securities with total sales proceeds of $37.0 million during 2020. These sales resulted in a loss of $181 thousand during 2020, which was recognized in “Fee and other non-interest income” in the Consolidated Statements of Comprehensive Income. We had no outstanding available-for-sale investment securities at December 31, 2022, 2021, and 2020.

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

Additional investment securities information is included in Notes 5 and 15 to the accompanying Consolidated Financial Statements.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the year ended December 31	**2022**	2021	2020
Net income	**$ 514,573**	$ 498,350	$ 439,892
Return on average assets	**1.9%**	2.0%	1.9%
Return on average equity	**11.3%**	11.7%	11.1%

Changes presented in the profitability information chart relate directly to:

- Changes in income discussed in this section
- Changes in assets discussed in the Loans Held to Maturity, Loans Held for Sale and Investment Securities sections
- Changes in capital discussed in the Capital Adequacy section

Changes in Significant Components of Net Income

	For the year ended December 31			Increase (decrease) in net income	
(in thousands)	**2022**	2021	2020	**2022 vs 2021**	2021 vs 2020
Net interest income	**$ 609,960**	$ 549,849	$ 524,053	**$ 60,111**	$ 25,796
Provision for loan losses	**(11,000)**	(15,000)	27,894	**(4,000)**	42,894
Non-interest income	**299,442**	311,294	272,662	**(11,852)**	38,632
Non-interest expense	**382,078**	354,606	311,069	**(27,472)**	(43,537)
Provision for income taxes	**23,751**	23,187	17,860	**(564)**	(5,327)
Net income	**$ 514,573**	$ 498,350	$ 439,892	**$ 16,223**	$ 58,458

Net Interest Income

Changes in Net Interest Income

(in thousands)

For the year ended December 31	**2022 vs 2021**	2021 vs 2020
Changes in volume	**$ 48,711**	$ 49,070
Changes in interest rates	**5,029**	(16,410)
Changes in asset securitization	**89**	114
Changes in nonaccrual income and other	**6,282**	(6,978)
Net change	**$ 60,111**	$ 25,796

Net interest income increased as a result of overall loan growth during 2022, as well as the improved interest rate spreads due to the rising interest rate environment.

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

Net interest income included income on nonaccrual loans that totaled $8.3 million, $2.5 million, and $9.1 million in 2022, 2021, and 2020, respectively. Nonaccrual interest income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered.

Provision for Loan Losses

The change in the provision for loan losses is based upon the calculated changes in the allowance for loan losses. See the Allowance for Loan Losses sub-section (in the Loans Held to Maturity section) for a discussion of the various factors impacting the calculated allowance balances as of December 31, 2022, and 2021, respectively. The reversal of provision for loan losses for 2021 was based upon several unusual factors. First, it became clear that the initially anticipated negative economic impact of the pandemic on Compeer's loan portfolio would not materialize. Also, during 2021, we updated multiple qualitative assumptions utilized within the allowance model due to the continued overall credit quality improvement and low levels of net loan charge-offs. In addition, 2021 asset pool transactions caused the removal of a portion of the allowance for loan losses held on loans sold to AgriBank. All of these circumstances contributed to the reversal for 2021. In contrast, during 2022, overall credit quality and adverse assets remained stable, with immaterial allowance for loan loss increases attributable to credit quality decreases on only a limited number of loans. Only one additional assumption was updated within the model. Also, the net impact of Compeer's 2022 pool program transactions on the allowance for loan losses was less than 2021's impact. These factors resulted in a smaller reversal for 2022.

Non-Interest Income

The change in non-interest income was primarily due to the decrease in fee and other non-interest income, partially offset by increases in net operating lease income and financially related services income.

Fee and Other Non-Interest Income: The decrease in fee and other non-interest income was primarily due to Paycheck Protection Program (PPP) fee income. While we collected approximately $18.6 million in fees during 2021 as a participating PPP lender, this program has now ended, and as such, we had no fee income associated with this program during 2022.

Net Operating Lease Income: The increase in net operating lease income was due to the growth in our assets held for lease, as well as the rising interest rate environment. Net assets held for lease increased by $19.0 million during 2022, which is evidence of the continued strong momentum in this core product.

Financially Related Services Income: The increase in financially related services income was primarily due to increases in income from our crop insurance services. Crop hail insurance and multi-peril crop insurance premiums both increased, as Compeer's experienced insurance team members worked with clients to protect and mitigate risks presented during 2022.

Non-Interest Expense

The following presents a comparison of operating expenses by major category and the net pre-tax operating rate (total ongoing expenses less financially related services income and fees earned, divided by average earning assets).

Components of Non-interest Expense

(dollars in thousands)

For the year ended December 31	**2022**	2021	2020
Salaries and employee benefits	**$ 221,062**	$ 208,912	$ 208,883
Other operating expense:			
Purchased and vendor services	**24,600**	22,443	18,099
Communications	**4,139**	3,588	4,446
Occupancy and equipment	**38,358**	40,123	30,107
Advertising and promotion	**15,185**	13,228	11,782
Examination	**4,588**	4,188	4,001
Farm Credit System insurance	**42,716**	31,429	18,273
Other	**21,080**	16,381	10,229
Other non-interest expense	**10,350**	14,314	5,249
Total non-interest expense	**$ 382,078**	$ 354,606	$ 311,069
Net pre-tax operating rate	**0.8%**	0.8%	0.8%

The change in non-interest expense was primarily due to increases in salaries and employee benefits, Farm Credit System insurance, and other operating expense.

Salaries and Employee Benefits: The "Salaries and employee benefits" expense line on the Consolidated Statements of Comprehensive Income includes salary, benefit, and variable compensation expenses. These expenses were all higher during 2022, as compared to 2021, due to inflation and new employees brought on as the Association has grown, as well as increased variable compensation expense due to profitability and business level benchmarks reached during 2022.

Farm Credit System Insurance: The Farm Credit System insurance expense increased in 2022 primarily due to an increase in the Insurance Fund premium rate on Systemwide adjusted insured debt. The premium rate, which is primarily impacted by System growth, was 20 basis points for 2022, compared to a premium rate of 16 basis points for 2021. This premium rate increase is due to the anticipated growth within the Farm Credit System's insured debt obligations of about 10.2% in 2022, which was considerably higher than the 5-year average growth rate. This increase will also allow the Insurance Fund to remain at the 2.0% secured base amount, after taking into account this Systemwide growth. The FCSIC has announced premiums will be 18 basis points for 2023. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time. See Note 1 for additional information on the Insurance Fund.

Other Operating Expense: Other operating expense increased primarily due to increases in travel and training expenses. Both travel and training expenses increased as in-person meetings and events returned to normal levels after the pandemic. Increased gas, airline, and meal costs, as a result of inflationary impacts, also contributed to higher travel and training expenses during 2022.

FUNDING AND LIQUIDITY

We borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 7 to the accompanying Consolidated Financial Statements. This line of credit is our primary source of liquidity and is used to fund operations and meet current obligations. At December 31, 2022, we had $10.7 billion available under our line of credit. We generally apply excess cash to this line of credit. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other sources of lendable funds are from equity and subordinated debt.

Note Payable Information

(dollars in thousands) For the year ended December 31	**2022**	2021	2020
Average balance	**$ 22,480,280**	$ 20,590,907	$ 18,927,828
Average interest rate	**2.0%**	1.4%	1.8%

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

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

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

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

We have issued $100.0 million of Series A-1 non-cumulative perpetual preferred stock and $100.0 million of Series B-1 non-cumulative perpetual preferred stock. The impact of this stock on our regulatory capital is discussed in the Capital Adequacy section. Also, see Note 9 to the accompanying Consolidated Financial Statements for additional information related to preferred stock.

In addition, we issued $200.0 million of aggregate principal amount of unsecured subordinated notes. See Note 8 to the accompanying Consolidated Financial Statements for additional information related to subordinated debt.

We have entered into a Standby Commitment to Purchase Agreement with Farmer Mac to help manage credit risk. If a loan covered by the agreement goes into default, subject to certain conditions, we have the right to sell the loan to Farmer Mac. This agreement remains in place until the loan is paid in full. We had $215.0 million, $252.1 million, and $329.6 million of our loans in this program at December 31, 2022, 2021, and 2020, respectively. No loans were sold to Farmer Mac under this agreement during 2022, 2021, or 2020.

CAPITAL ADEQUACY

Total equity was $4.7 billion, $4.4 billion, and $4.0 billion at December 31, 2022, 2021, and 2020, respectively. Total equity increased $292.0 million from December 31, 2021, primarily due to net income for the year, partially offset by patronage distribution accruals, redemption of allocated patronage, capital stock and participation certificates receivable, and preferred stock dividend accruals. Effective January 1, 2023, we adopted the CECL accounting guidance. The adoption of this guidance resulted in a cumulative effect adjustment to equity at January 1, 2023. Refer to Note 2 for additional information regarding the CECL adoption and cumulative effect adjustment to equity.

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

Regulatory Capital Requirements and Ratios

As of December 31	**2022**	2021	2020	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**13.2%**	13.9%	14.3%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**14.0%**	14.6%	14.7%	6.0%	2.5%	8.5%
Total capital ratio	**14.9%**	15.8%	15.2%	8.0%	2.5%	10.5%
Permanent capital ratio	**14.8%**	15.7%	15.0%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**14.1%**	14.9%	14.8%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**12.5%**	14.7%	14.6%	1.5%	N/A	1.5%

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

For regulatory capital purposes, our non-cumulative perpetual preferred stock is included in permanent capital, tier 1 capital, and total capital ratios, subject to certain limitations. In addition, our subordinated debt is included in permanent capital and total capital ratios, subject to certain limitations. Additional information is included in Notes 8 and 9 to the accompanying Consolidated Financial Statements.

Capital ratios are directly impacted by changes in capital, assets, and off-balance sheet commitments. Refer to the Loans Held to Maturity and the Investment Securities sections for further discussion of the changes in assets. Additional information on regulatory ratios and equity information is included in Note 9 to the accompanying Consolidated Financial Statements and information on off-balance sheet commitments is included in Note 13 to the accompanying Consolidated Financial Statements.

In addition to these regulatory requirements, we establish an optimum total capital target. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target is subject to revision as circumstances change. Our optimum total capital target is 14.0%, as defined in our 2023 capital plan.

As authorized by the Board of Directors, we accrued patronage distributions of $150.0 million as of December 31, 2022, to be paid in cash during 2023. In addition, as of December 31, 2022, we accrued $52.0 million for the redemption of our nonqualified patronage program, in addition to $559 thousand of other retirements for the year, to be paid to former members of the merged associations in the first quarter of 2023. Also, the Board of Directors authorized the payment of $8.5 million of other distributions on approved transactions for 2022. Further information regarding our patronage distributions is included in Note 9 to the accompanying Consolidated Financial Statements.

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

RELATIONSHIP WITH AGRIBANK

Borrowing

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A General Financing Agreement (GFA), as described in Note 7 to the accompanying Consolidated Financial Statements, governs this lending relationship.

The components of cost of funds under the GFA include:

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

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

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

Investment

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

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

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

Patronage

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

Purchased Services

As of December 31, 2022, we purchased various business services from AgriBank, including financial reporting services. Until the formation of SunStream Business Services (SunStream) on April 1, 2020, we also purchased financial and retail information technology, collateral, tax reporting, and insurance services from AgriBank. These services are now purchased from SunStream. For further discussion on our relationship with SunStream see the Other Relationships and Programs section. Additional related party information is included in Note 12 to the accompanying Consolidated Financial Statements.

Impact on Stockholders' Investment

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

OTHER RELATIONSHIPS AND PROGRAMS

Relationships with Other Farm Credit Institutions

Capital Markets Group: We participate in the Capital Markets Group (CMG) with two other AgriBank District associations. The CMG focuses on generating revenue and loan volume for the financial benefit of all three participating associations. Management for each association has direct decision-making authority over the loans purchased and serviced for their respective association. The business arrangement provides additional means for diversifying each participant's portfolio, helps reduce concentration risk, and positions the participants for continued growth. As the facilitating association for CMG, we are reimbursed by the other two participating associations for their portions of the various costs incurred for conducting CMG activities.

CoBank, ACB: We have a relationship with CoBank, ACB (CoBank), a System bank, which involves purchasing and selling participation interests in loans. CoBank provides direct loan funds to associations in its chartered territory and makes loans to cooperatives and other eligible borrowers. As of December 31, 2022, 2021, and 2020, our equity investment in CoBank was $1.2 million.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations), a System service corporation, which involves purchasing human resource, benefit, payroll, and workforce management services. As of December 31, 2022, 2021, and 2020, our investment in Foundations was $154 thousand. Additional related party information is included in Note 12 to the accompanying Consolidated Financial Statements.

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

Federal Agricultural Mortgage Corporation: We have entered into a Standby Commitment to Purchase Agreement with Farmer Mac. This agreement allows for the repayment of principal and interest on certain loans identified under the agreement to Farmer Mac. Refer to the Funding and Liquidity section for further discussion. We also purchase MBS investments from Farmer Mac. Refer to the Investment Securities section for further discussion. We paid Farmer Mac fees totaling $2.6 million, $2.9 million, and $2.6 million in 2022, 2021, and 2020, respectively. These amounts are included in "Other non-interest expense" in the Consolidated Statements of Comprehensive Income.

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

As the facilitating association for ProPartners, we are compensated to provide various support functions. This includes human resources, accounting, payroll, reporting, and other finance functions. We also serve as the primary originating association for ProPartners participations and sales. The expenses incurred as the facilitating association are recovered from AgriBank as a servicing fee, which is included in the calculation of the net earnings of the ProPartners pool program.

Rural Business Investment Company: We and other Farm Credit institutions are among the limited partners for Rural Business Investment Companies (RBICs). Refer to Note 13 to the accompanying Consolidated Financial Statements for further disclosure.

SunStream Business Services: We have a relationship with SunStream, which involves purchasing financial and retail information technology, collateral, tax reporting, and insurance services. SunStream was a division of AgriBank prior to April 1, 2020, when SunStream formed a separate System service corporation of which we are a partial owner. As of December 31, 2022, 2021, and 2020, our investment in SunStream was $5.6 million. Additional related party information is included in Note 12 to the accompanying Consolidated Financial Statements. As of December 31, 2022, we also guaranteed the amounts borrowed by SunStream on their line of credit with AgriBank, up to $40.0 million. This amount may be amended at any time by SunStream's owners and AgriBank. Refer to Note 13 to the accompanying Consolidated Financial Statements for further disclosure.

Unincorporated Business Entities (UBEs)

Rural Funding, LLC: We have a limited liability company established for the purpose of facilitating bond transactions with other financial institutions called Rural Funding, LLC. We do not receive any management fees from the limited liability company. We are currently not originating any new transactions using this LLC.

Other LLCs: As of December 31, 2022, we have five limited liability companies established for the purpose of acquiring and selling collateral acquired through the loan collection process, primarily for legal liability purposes. The names of these LLCs are as follows: PF Hope MN, LLC; PF Moorhead MN, LLC; PF Cresco IA, LLC; PF Bowbells ND, LLC; and PF Ellendale MN, LLC.

AgDirect, LLP: We participate in the AgDirect trade credit financing program, which includes origination and refinancing of agriculture equipment loans through independent equipment dealers. The program is facilitated by another AgriBank District association through a limited liability partnership in which we are a partial owner. Our investment in AgDirect, LLP, was $35.7 million, $31.3 million, and $24.2 million at December 31, 2022, 2021, and 2020, respectively. We also receive a partnership distribution resulting from our participation in the program, which is included in "Patronage income" in the Consolidated Statements of Comprehensive Income. Additional related party information is included in Note 12 to the accompanying Consolidated Financial Statements.

Programs

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

RuraLiving®: RuraLiving is a rural residential mortgage program designed to provide qualified borrowers with additional options for competitive rate financing of rural homes in small towns or that are part of a hobby farm, pastureland, or tillable acreage. Loans closed under this program will be sold to and securitized by a third-party investor, and resulting securities may be purchased by Compeer.

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

Mission Related Investments: The public mission of the System has always been to provide financing to agriculture and rural areas. Our primary focus has always been and will remain financing production agriculture. Because of the changing needs of rural America, we have placed additional emphasis on investing in rural communities and businesses by creating our Mission Financing program. This program makes investments in rural America through the purchase of bonds, focusing on rural businesses, health care, and housing facilities. We had outstanding bonds of $84.2 million, $92.4 million, and $104.8 million at December 31, 2022, 2021, and 2020, respectively.

Fleet Management: We offer fleet management services to small and mid-sized agribusinesses. Depending on the program selected, services range from customized vehicle ordering, combined with lease financing, to full service program options of providing fuel cards, maintenance management, 24/7 emergency roadside assistance, license renewal services, fleet reporting, and vehicle disposal service. Additionally, we make available customized vehicle ordering and leasing options to Farm Credit institutions. At the end of 2022, we have ordered vehicles for 23 System entities. We have manufacturer's fleet codes for the following brands: Ford, General Motors, Stellantis (Chrysler, Jeep, Ram), Toyota, Nissan, Mazda, and Subaru.

Business Units

Core Markets: We provide operating, term, and real estate loans, leases, crop insurance, life insurance, accounting, and tax services to core market clients and producers. These clients and producers are typically in the grain, dairy, swine, and cattle industries; however, we also service clients working within emerging agricultural markets. This structure enables our team to collaborate with other professionals with specialized knowledge, depending on the client's specific goals and unique needs.

Rural Living Solutions: Our home mortgage services team provides home financing options for rural residents living in the country or in communities with populations of 2,500 or less. The focal points of this segment are mortgages to buy, build, or refinance residences or acreages. Title insurance, appraisal services, and home equity loans are also offered.

Diversified Markets: Our Diversified Markets business unit includes the following sectors: Agri-Access**,** Capital Markets, and Industry Specialists.

Agri-Access®: We have entered into agreements with certain financial institutions to provide correspondent lending programs under the trade name Agri-Access, which operates as a unit of Compeer. Agri-Access focuses primarily on purchasing participations in agricultural real estate loans and leases. Agri-Access also services loan portfolios for other institutional investors. These financial services firms are dispersed throughout the United States. The main Agri-Access contact office is located in Des Moines, Iowa. We also have a contact office in Nampa, Idaho. Further information can be obtained at www.agri-access.com.

Capital Markets: The Capital Markets team focuses on relationships with commercial banks, Farm Credit institutions, and other lending partners to buy loan participations and partner in primarily syndicated loan transactions. This specialized team provides a national marketing vehicle to gain improved access to the agribusiness and commercial producer loan market, and provides portfolio diversity, earnings, and market intelligence to the organization. This team partners with two other AgriBank District associations to form the Capital Markets Group.

Industry Specialists: Our industry specialists possess broad, extensive knowledge and experience in their areas of expertise, providing financing to commercial producers, agribusinesses, and processors, primarily focused in swine, dairy, and bio-energy.

Mission Financing: The Mission Financing team is devoted to supporting community and economic development, infrastructure needs, and revitalization projects in rural America. Mission Financing invests in projects through the purchase of bonds issued by local communities, organizations, or businesses, focusing on investing in critical access hospitals, assisted-living facilities, rural rental multi-family housing, business expansions, and other similar enterprises. In December 2014, an alliance was formed with CoBank to fund rural facilities across the U.S. This alliance has and will continue to help promote jobs, economic benefits and enhance the quality of life in rural communities. This alliance will continue to partner with other Farm Credit institutions and local community banks to provide attractive and reliable short and long term financing options to fully fund projects of significant size.

REPORT OF MANAGEMENT

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

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable, but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the Consolidated Financial Statements. In addition, our independent auditors have audited our internal control over financial reporting as of December 31, 2022. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

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

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

David Peters
Chairperson of the Board
Compeer Financial, ACA

Jase L. Wagner
President and Chief Executive Officer, and Interim Chief Financial Officer
Compeer Financial, ACA

March 1, 2023

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Based on the assessment performed, the Association concluded that as of December 31, 2022, the internal control over financial reporting was effective based upon the COSO criteria.

The Association's internal control over financial reporting as of December 31, 2022, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their accompanying report, which expresses an unqualified opinion on the effectiveness of the Association's internal control over financial reporting as of December 31, 2022.

Jase L. Wagner
President and Chief Executive Officer, and Interim Chief Financial Officer
Compeer Financial, ACA

March 1, 2023

REPORT OF AUDIT COMMITTEE

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

Management is responsible for the preparation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America. Additionally, management is responsible for the design and operating effectiveness of internal control over financial reporting for the Consolidated Financial Statements. PwC is responsible for expressing opinions on the Consolidated Financial Statements and internal control over financial reporting based on their integrated audits which are performed in accordance with generally accepted auditing standards in the United States of America. The Audit Committee's responsibilities include monitoring and overseeing these processes.

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

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

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

Gregory Pollesch
Chairperson of the Audit Committee
Compeer Financial, ACA

Audit Committee Members:
Ashley Ahl
Rodney Bosma
David Peters
Dan Scheider

March 1, 2023

Report of Independent Auditors

To the Board of Directors of Compeer Financial, ACA:

Opinions on the Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated financial statements of Compeer Financial, ACA and its subsidiaries (the "Association"), which comprise the consolidated statements of condition as of December 31, 2022, 2021, and 2020, and the related consolidated statements of comprehensive income, changes in 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.

We also have audited the Association's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Association maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

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 and Internal Control Over Financial Reporting 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements and Internal Control over Financial Reporting

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 effective internal control over financial reporting relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Report on Internal Control over Financial Reporting.

In preparing the 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 financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements and Internal Control over Financial Reporting

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 about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditors' report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements or an audit of internal control over financial reporting conducted in accordance with US GAAS will always detect a material misstatement or a material weakness 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 to be 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 financial statements.

In performing an audit of consolidated financial statements and an audit of internal control over financial reporting 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.

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- Obtain an understanding of internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- 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 financial statement 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.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and those charged with governance; and (iii) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment 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.

PricewaterhouseCoopers LLP

Minneapolis, Minnesota
March 1, 2023

CONSOLIDATED STATEMENTS OF CONDITION

Compeer Financial, ACA

(in thousands)

As of December 31	**2022**	2021	2020
ASSETS			
Loans held to maturity	**$ 26,719,853**	$ 24,490,167	$ 22,585,104
Allowance for loan losses	**52,663**	63,700	89,157
Net loans held to maturity	**26,667,190**	24,426,467	22,495,947
Loans held for sale	**5,014**	24,896	51,541
Net loans	**26,672,204**	24,451,363	22,547,488
Cash	**2,400**	2,400	2,300
Investment securities	**1,305,075**	1,125,961	1,149,438
Assets held for lease, net	**138,502**	119,515	93,015
Accrued interest receivable	**234,126**	170,502	171,798
Investment in AgriBank, FCB	**922,546**	751,956	662,203
Premises and equipment, net	**88,254**	84,411	76,711
Other assets	**310,202**	302,390	239,318
Total assets	**$ 29,673,309**	$ 27,008,498	$ 24,942,271
LIABILITIES			
Note payable to AgriBank, FCB	**$ 24,149,070**	$ 21,900,691	$ 20,458,004
Subordinated debt	**200,000**	200,000	--
Accrued interest payable	**164,574**	69,847	66,806
Deferred tax liabilities, net	**56,535**	47,261	26,720
Patronage distribution payable	**210,536**	209,319	203,758
Other liabilities	**200,845**	181,590	160,735
Total liabilities	**24,981,560**	22,608,708	20,916,023
Contingencies and commitments (Note 13)			
EQUITY			
Preferred stock	**200,000**	200,000	100,000
Capital stock and participation certificates	**39,853**	34,630	33,842
Capital stock and participation certificates receivable	**(20,220)**	(6,589)	(5,576)
Additional paid-in capital	**1,780,603**	1,780,603	1,780,603
Allocated surplus	**215,380**	267,939	321,115
Unallocated surplus	**2,487,557**	2,142,989	1,813,294
Accumulated other comprehensive loss	**(11,424)**	(19,782)	(17,030)
Total equity	**4,691,749**	4,399,790	4,026,248
Total liabilities and equity	**$ 29,673,309**	$ 27,008,498	$ 24,942,271

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Compeer Financial, ACA

(in thousands)

For the year ended December 31	**2022**	2021	2020
Interest income	**$ 1,064,654**	$ 838,309	$ 862,743
Interest expense	**454,694**	288,460	338,690
Net interest income	**609,960**	549,849	524,053
Provision for loan losses	**(11,000)**	(15,000)	27,894
Net interest income after provision for loan losses	**620,960**	564,849	496,159
Non-interest income			
Patronage income	**173,659**	172,612	158,146
Net operating lease income	**7,697**	4,843	3,763
Financially related services income	**52,744**	50,017	43,025
Fee and other non-interest income	**65,342**	83,822	67,728
Total non-interest income	**299,442**	311,294	272,662
Non-interest expense			
Salaries and employee benefits	**221,062**	208,912	208,883
Farm Credit System insurance	**42,716**	31,429	18,273
Other operating expense	**107,950**	99,951	78,664
Other non-interest expense	**10,350**	14,314	5,249
Total non-interest expense	**382,078**	354,606	311,069
Income before income taxes	**538,324**	521,537	457,752
Provision for income taxes	**23,751**	23,187	17,860
Net income	**$ 514,573**	$ 498,350	$ 439,892
Other comprehensive income (loss)			
Employee benefit plans activity	**$ 8,358**	$ (2,752)	$ (5,378)
Total other comprehensive income (loss)	**8,358**	(2,752)	(5,378)
Comprehensive income	**$ 522,931**	$ 495,598	$ 434,514

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Compeer Financial, ACA

(in thousands)

	Preferred Stock	Capital Stock and Participation Certificates and Receivable, Net	Additional Paid-in Capital	Allocated Surplus	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Equity
Balance as of December 31, 2019	$ 100,000	$ 32,737	$ 1,780,603	$ 373,898	$ 1,531,824	$ (11,652)	$ 3,807,410
Net income	--	--	--	--	439,892	--	439,892
Other comprehensive loss	--	--	--	--	--	(5,378)	(5,378)
Redemption of prior year allocated patronage	--	--	--	(52,783)	86	--	(52,697)
Preferred stock issued	--	--	--	--	--	--	--
Preferred stock dividend	--	--	--	--	(6,750)	--	(6,750)
Other distribution	--	--	--	--	(6,758)	--	(6,758)
Unallocated surplus designated for patronage distributions	--	--	--	--	(145,000)	--	(145,000)
Capital stock and participation certificates issued	--	4,353	--	--	--	--	4,353
Capital stock and participation certificates retired	--	(3,248)	--	--	--	--	(3,248)
Capital stock and participation certificates receivable, net	--	(5,576)	--	--	--	--	(5,576)
Balance as of December 31, 2020	100,000	28,266	1,780,603	321,115	1,813,294	(17,030)	4,026,248
Net income	--	--	--	--	498,350	--	498,350
Other comprehensive loss	--	--	--	--	--	(2,752)	(2,752)
Redemption of prior year allocated patronage	--	--	--	(53,176)	109	--	(53,067)
Preferred stock issued	100,000	--	--	--	(2,420)	--	97,580
Preferred stock dividend	--	--	--	--	(9,025)	--	(9,025)
Other distribution	--	--	--	--	(7,319)	--	(7,319)
Unallocated surplus designated for patronage distributions	--	--	--	--	(150,000)	--	(150,000)
Capital stock and participation certificates issued	--	4,310	--	--	--	--	4,310
Capital stock and participation certificates retired	--	(3,522)	--	--	--	--	(3,522)
Additions to capital stock and participation certificates receivable, net	--	(1,013)	--	--	--	--	(1,013)
Balance as of December 31, 2021	200,000	28,041	1,780,603	267,939	2,142,989	(19,782)	4,399,790
Net income	**--**	**--**	**--**	**--**	**514,573**	**--**	**514,573**
Other comprehensive income	**--**	**--**	**--**	**--**	**--**	**8,358**	**8,358**
Redemption of prior year allocated patronage	**--**	**--**	**--**	**(52,559)**	**60**	**--**	**(52,499)**
Preferred stock issued	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Preferred stock dividend	**--**	**--**	**--**	**--**	**(11,625)**	**--**	**(11,625)**
Other distribution	**--**	**--**	**--**	**--**	**(8,538)**	**--**	**(8,538)**
Unallocated surplus designated for patronage distributions	**--**	**--**	**--**	**--**	**(149,902)**	**--**	**(149,902)**
Capital stock and participation certificates issued	**--**	**10,301**	**--**	**--**	**--**	**--**	**10,301**
Capital stock and participation certificates retired	**--**	**(5,077)**	**--**	**--**	**--**	**--**	**(5,077)**
Additions to capital stock and participation certificates receivable, net	**--**	**(13,632)**	**--**	**--**	**--**	**--**	**(13,632)**
Balance as of December 31, 2022	**$ 200,000**	**$ 19,633**	**$ 1,780,603**	**$ 215,380**	**$ 2,487,557**	**$ (11,424)**	**$ 4,691,749**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Compeer Financial, ACA

(in thousands)

For the year ended December 31	**2022**	2021	2020
Cash flows from operating activities			
Net income	**$ 514,573**	$ 498,350	$ 439,892
Depreciation on premises and equipment	**11,307**	9,839	9,543
Gain on sale of premises and equipment, net	**(656)**	(739)	(812)
Depreciation on assets held for lease	**20,438**	16,157	12,548
(Gain) loss on disposal of assets held for lease, net	**(742)**	(123)	75
Decrease (increase) in loans held for sale	**19,882**	26,645	(23,734)
Net amortization of premiums on loans and investment securities	**9,421**	7,318	10,061
Net amortization of yield related to loans and notes payable acquired in merger	**--**	212	(8,138)
Net amortization of yield related to investments acquired in merger	**--**	(2,716)	809
Provision for loan losses	**(11,000)**	(15,000)	27,894
Stock patronage received from Farm Credit institutions	**(94,361)**	(18,453)	(20)
Loss (gain) on other property owned, net	**4,799**	(236)	730
(Gain) loss on derivative activities	**(1,151)**	(220)	4,256
Loss on sale of available for sale investment securities	**--**	--	181
Changes in operating assets and liabilities:			
(Increase) decrease in accrued interest receivable	**(78,732)**	(9,900)	13,668
Increase in other assets	**(26,626)**	(49,631)	(28,745)
Increase (decrease) in accrued interest payable	**94,727**	3,041	(46,461)
Increase in other liabilities	**6,589**	19,580	17,635
Net cash provided by operating activities	**468,468**	484,124	429,382
Cash flows from investing activities			
Increase in loans, net	**(2,188,378)**	(1,890,262)	(2,673,065)
Purchases of investment in AgriBank, FCB, net	**(76,244)**	(71,321)	(39,682)
Purchases of investment in other Farm Credit institutions, net	**(4,423)**	(7,131)	(8,928)
Purchases of investment securities	**(466,000)**	(236,029)	(334,196)
Proceeds from investment securities	**277,290**	254,819	309,988
Proceeds from the sale of available for sale investment securities	**--**	--	37,020
Sales (purchases) of derivatives, net	**1,151**	78	(4,102)
Purchases of assets held for lease, net	**(38,683)**	(42,534)	(40,469)
Proceeds from sales of other property owned	**5,790**	3,410	2,697
Purchases of premises and equipment, net	**(14,494)**	(16,800)	(10,122)
Net cash used in investing activities	**(2,503,991)**	(2,005,770)	(2,760,859)
Cash flows from financing activities			
Increase in note payable to AgriBank, FCB, net	**2,248,379**	1,432,830	2,527,837
Proceeds from subordinated debt issuance	**--**	200,000	--
Patronage and other distributions paid	**(209,722)**	(204,825)	(183,895)
Proceeds from preferred stock issuance	**--**	97,580	--
Preferred stock dividend paid	**(11,625)**	(9,025)	(6,750)
Capital stock and participation certificates issued (retired), net	**5,040**	(255)	142
Net cash provided by financing activities	**2,032,072**	1,516,305	2,337,334
Net change in cash and restricted cash	**(3,451)**	(5,341)	5,857
Cash and restricted cash at beginning of year	**8,846**	14,187	8,330
Cash and restricted cash at end of year	**$ 5,395**	$ 8,846	$ 14,187
Supplemental information			
Interest paid	**$ 359,967**	$ 275,562	$ 382,089
Taxes paid (refunded), net	**9,922**	(537)	18,330

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Compeer Financial, ACA

NOTE 1: ORGANIZATION AND OPERATIONS

Association

Compeer Financial, ACA (the Association) and its subsidiaries, Compeer Financial, FLCA and Compeer Financial, PCA (subsidiaries) are lending institutions of the Farm Credit System (System). We are a borrower-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible member stockholders for qualified agricultural purposes in the counties of Aitkin, Anoka, Benton, Blue Earth, Brown, Carlton, Carver, Cass, Chisago, Cook, Cottonwood, Crow Wing, Dakota, Dodge, Faribault, Fillmore, Freeborn, Goodhue, Hennepin, Houston, Isanti, Itasca, Jackson, Kanabec, Lake, LeSueur, McLeod, Martin, Mille Lacs, Morrison, Mower, Murray, Nicollet, Nobles, Olmsted, Pine, Pipestone, Ramsey, Rice, Rock, St. Louis, Scott, Sherburne, Sibley, Stearns, Steele, southern Todd, Wabasha, Waseca, Washington, Watonwan, Winona, and Wright counties in the state of Minnesota; Adams, Boone, Brown, Bureau, Carroll, Cook, DeKalb, DuPage, Fulton, Grundy, Hancock, Henderson, Henry, Jo Daviess, Kane, Kankakee, Kendall, Knox, Lake, LaSalle, Lee, Livingston, Marshall, Mason, McDonough, McHenry, McLean, Mercer, Ogle, Peoria, Pike, Putnam, Rock Island, Schuyler, Stark, Stephenson, Tazewell, Warren, Whiteside, Will, Winnebago, and Woodford in the state of Illinois; and Adams, Ashland, Barron, Bayfield, Buffalo, Burnett, Calumet, Chippewa, Columbia, Crawford, Dane, Dodge, Douglas, Dunn, Eau Claire, Fond du Lac, Grant, Green, Green Lake, Iowa, Iron, Jackson, Jefferson, Juneau, Kenosha, La Crosse, Lafayette, Marquette, Milwaukee, Monroe, Ozaukee, Pepin, Pierce, Polk, Racine, Richland, Rock, Rusk, St. Croix, Sauk, Sawyer, Sheboygan, Trempealeau, Vernon, Walworth, Washburn, Washington, Waukesha, and Winnebago counties in the state of Wisconsin.

We borrow from AgriBank, FCB (AgriBank), a System Farm Credit Bank, and provide financing and related services to our clients. Our Agricultural Credit Association (ACA) holds all the stock of the Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries and provides lease financing options for agricultural production or operating purposes. The FLCA makes secured long-term agricultural real estate, rural home, and part-time farmer mortgage loans and holds certain types of investments. The PCA makes short-term and intermediate-term loans and holds certain types of investments.

We offer various risk management services, including credit life, term life, credit disability, title, crop hail, and multi-peril crop insurance for clients and those eligible to borrow. We also offer services, such as farm records services, fee appraisals, cash management, farm business consulting, producer education, title search, fleet management services, income tax planning and preparation services, and retirement and succession planning to our clients.

Farm Credit System and District

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

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles and Reporting Policies

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

Principles of Consolidation

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

Significant Accounting Policies

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

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

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

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

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

Loans Held for Sale: Loans held for sale include rural residential mortgages originated for sale. We elected the fair value option for all loans held for sale. Loans are valued on an individual basis and gains or losses are recorded in “Fee and other non-interest income” in the Consolidated Statements of Comprehensive Income. Direct loan origination costs and fees for loans held for sale are recognized in income at origination. Interest income on loans held for sale is calculated based upon the note rate of the loan and is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income.

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

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

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

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

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

Investment Securities: We are authorized by the FCA to purchase and hold certain types of investments. Those investments for which we have the positive intent and ability to hold to maturity have been classified as held-to-maturity and are carried at cost adjusted for the amortization of premiums and accretion of discounts. If an investment is determined to be other-than-temporarily impaired, the carrying value of the security is written down to fair value. The impairment loss is separated into credit related and non-credit related components. The credit related component is expensed through Net income in the Consolidated Statements of Comprehensive Income in the period of impairment. The non-credit related component is recognized in other comprehensive income and amortized over the remaining life of the security as an increase in the security’s carrying amount.

Other investment securities that we do not have the positive intent and ability to hold to maturity have been classified as available-for-sale. These investments are reported at fair value, and unrealized holding gains and losses on investments that are not other-than-temporarily impaired are netted and reported as a separate component of equity in “Accumulated other comprehensive loss” in the Consolidated Statements of Condition. Changes in the fair value of investment securities are reflected as direct charges or credits to other comprehensive income, unless the security is deemed to be other-than-temporarily impaired. When other-than-temporary impairment exists and we do not intend to sell the impaired debt security, nor are we more likely than not to be required to sell the security before recovery, we separate the loss into credit-related and non-credit-related components. If a security is deemed to be other-than-temporarily impaired, the security is written down to fair value, the credit-related component is recognized through earnings and the non-credit-related component is recognized in other comprehensive income.

Purchased premiums and discounts are amortized over the terms of the respective securities. Realized gains and losses are determined using the specific identification method and are recognized in current earnings.

Other Investments: The carrying amount of the investments in the Rural Business Investment Companies, in which we are a limited partner and hold non-controlling interests, are accounted for under the equity method. The investments are included in “Other assets” in the Consolidated Statements of Condition. The investments are assessed for impairment. If impairment exists, losses are included in Net income in the Consolidated Statements of Comprehensive Income in the year of impairment.

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

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

We are the lessor in finance, conditional sales, and operating leases. Under finance and conditional sales leases, unearned income from lease contracts represents the excess of gross lease receivables plus residual receivables over the cost of leased equipment. We amortize net unearned finance lease income to earnings using the interest method. The carrying amount of finance and conditional sales leases is included in “Loans held to maturity” in the Consolidated Statements of Condition and represents lease rent and residual receivables net of the unearned income. Under operating leases, property is recorded at cost and depreciated on a straight-line basis over the lease term to an estimated residual value. We recognize operating lease revenue evenly over the term of the lease in “Net operating lease income” in the Consolidated Statements of Comprehensive Income. We charge depreciation and other expenses against revenue as incurred. The amortized cost of operating leases is included in “Assets held for lease, net” in the Consolidated Statements of Condition and represents the asset cost net of accumulated depreciation.

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

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 “Other operating expense” in the Consolidated Statements of Comprehensive Income and improvements are capitalized.

Other Property Owned: Other property owned, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at the fair value less estimated selling costs upon acquisition and is included in “Other assets” in the Consolidated Statements of Condition. 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 to the fair value less costs to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Related income, expenses, and gains or losses from operations and carrying value adjustments are included in “Other non-interest expense” in the Consolidated Statements of Comprehensive Income.

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

Certain employees participate in the AgriBank District Retirement Plan. The plan is comprised of two benefit formulas. At their option, employees hired prior to October 1, 2001, are on the cash balance formula or on the final average pay formula. Benefit eligible employees hired between October 1, 2001, and

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

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

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

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

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

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

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

Patronage Program: We accrue patronage distributions according to a prescribed formula approved by the Board of Directors that is expected to be paid in the following year. Nonqualified patronage distributions do not qualify as a deduction from our taxable income, and the client receiving it does not record it as taxable income, until it is redeemed at some future date. The redemption of nonqualified patronage distributions is at the discretion of the Board of Directors.

Derivatives: Derivatives are used to manage exposure to interest rate risk and changes in the fair value of investments available for sale, loans held for sale and the interest rate lock commitments that are determined prior to funding. Unfunded commitments for residential mortgages intended to be held for sale are considered derivatives. In addition, we are party to derivative financial instruments called “to be announced” securities (TBAs), which are measured in terms of notional amounts. The notional amount is not exchanged and is used as a basis on which interest payments are determined.

These derivatives are recorded at fair value on the Consolidated Statements of Condition as “Other assets” or “Other liabilities” on a net basis. The derivatives are designed as economic hedging instruments and, accordingly, changes in fair value are accounted for as gains or losses through earnings in “Fee and other non-interest income” in the Consolidated Statements of Comprehensive Income.

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

Cash: For purposes of reporting cash flow, cash includes cash on hand and deposits in banks. Cash balances at times may exceed federally insured limits. Restricted cash is recorded in “Other assets” in the Consolidated Statements of Condition.

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

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

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

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

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

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standards to be applicable to our business.

Standard and effective date	Description	Adoption status and financial statement impact
In March 2020, the FASB issued Accounting Standards Update (ASU) 2020-04 "Reference Rate Reform, Topic 848." In January 2021, the FASB issued ASU 2021-01 further amending Topic 848. This guidance may be elected and applied prospectively over time beginning March 12, 2020. In December 2022, the FASB issued ASU 2022-06 "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848", which deferred the sunset date of Topic 848 to December 31, 2024. After December 31, 2024, entities will no longer be permitted to apply the relief in Topic 848.	The guidance provides optional expedients and exceptions for applying GAAP to contracts and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate.	During March 2021, we adopted this standard. Additionally, we intend to apply the relief granted in the extension. To date, the adoption of this standard has not had a material impact on our financial condition, results of operations, cash flows, and financial statement disclosures.
In June 2016, the FASB issued ASU 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amended the mandatory effective date for this guidance for certain institutions. We qualified for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	We adopted the standard as of January 1, 2023. As a result of adoption of this guidance, the allowance for loan losses decreased by $14.3 million and a reserve for unfunded commitments of $4.2 million was recognized, with a cumulative-effect increase, net of tax balances, to retained earnings of $7.3 million. The adoption of the standard did not have a material impact related to our held-to-maturity investment portfolio as the substantial majority of these investments carry a full faith and credit guarantee of the U.S. government or an implicit credit guarantee from its agencies and have an immaterial risk of credit loss. No allowance for credit losses was recognized in relation to our investment portfolio upon adoption.
In March 2022, the FASB issued ASU 2022-02 "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures." The guidance is effective at the same time that ASU 2016-13 is adopted.	This guidance eliminates the accounting guidance for troubled debt restructurings by creditors in Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings.	We adopted the standard on January 1, 2023. The adoption of this guidance did not have a material impact on our financial statements, but will modify certain disclosures beginning with our first quarter 2023 Quarterly Report.

NOTE 3: LOANS HELD TO MATURITY AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)	**2022**		2021		2020	
As of December 31	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$ 13,930,238**	**52.1%**	$ 13,410,996	54.8%	$ 11,708,049	51.9%
Production and intermediate-term	**4,385,912**	**16.4%**	4,115,583	16.8%	4,069,993	18.0%
Agribusiness	**5,637,741**	**21.1%**	4,604,844	18.8%	4,634,460	20.5%
Other	**2,765,962**	**10.4%**	2,358,744	9.6%	2,172,602	9.6%
Total	**$ 26,719,853**	**100.0%**	$ 24,490,167	100.0%	$ 22,585,104	100.0%

The other category is primarily composed of rural infrastructure, agricultural export finance, and rural residential real estate related loans as well as finance and conditional sales leases and certain assets characterized as mission related investments. Total loans include loans held to maturity, finance leases, and conditional sales leases (hereinafter collectively referred to as loans).

Portfolio Concentrations

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

As of December 31, 2022, volume plus commitments, excluding government guaranteed portions of loans, to our ten largest borrowers totaled an amount equal to 3.3% of total loans and commitments.

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

Participations

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

Participations Purchased and Sold

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
(in thousands) **As of December 31, 2022**	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	**$ --**	**$ (1,228,433)**	**$ 309,857**	**$ (576,753)**	**$ 3,386,172**	**$ (44,546)**	**$ 3,696,029**	**$ (1,849,732)**
Production and intermediate-term	**--**	**(923,479)**	**450,767**	**(1,605,469)**	**2,685,601**	**(24,719)**	**3,136,368**	**(2,553,667)**
Agribusiness	**--**	**(361,473)**	**2,148,467**	**(2,643,892)**	**1,387,112**	**(16,873)**	**3,535,579**	**(3,022,238)**
Other	**--**	**(138,684)**	**2,832,493**	**(843,023)**	**15,068**	**--**	**2,847,561**	**(981,707)**
Total	**$ --**	**$ (2,652,069)**	**$ 5,741,584**	**$ (5,669,137)**	**$ 7,473,953**	**$ (86,138)**	**$ 13,215,537**	**$ (8,407,344)**

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2021	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ --	$ (1,206,777)	$ 335,028	$ (426,253)	$ 3,325,916	$ (36,661)	$ 3,660,944	$ (1,669,691)
Production and intermediate-term	--	(780,393)	314,061	(1,200,297)	1,896,879	(21,244)	2,210,940	(2,001,934)
Agribusiness	--	(285,326)	1,718,039	(1,948,019)	1,152,431	(3,354)	2,870,470	(2,236,699)
Other	--	(116,629)	2,271,079	(672,604)	15,317	--	2,286,396	(789,233)
Total	$ --	$ (2,389,125)	$ 4,638,207	$ (4,247,173)	$ 6,390,543	$ (61,259)	$ 11,028,750	$ (6,697,557)

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2020	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ --	$ (1,386,733)	$ 449,721	$ (367,493)	$ 2,707,059	$ (36,057)	$ 3,156,780	$ (1,790,283)
Production and intermediate-term	--	(520,069)	318,323	(1,029,456)	1,529,168	(22,119)	1,847,491	(1,571,644)
Agribusiness	--	(64,688)	1,627,723	(1,755,050)	1,195,209	(3,784)	2,822,932	(1,823,522)
Other	--	(13,788)	1,940,692	(577,655)	1,014	--	1,941,706	(591,443)
Total	$ --	$ (1,985,278)	$ 4,336,459	$ (3,729,654)	$ 5,432,450	$ (61,960)	$ 9,768,909	$ (5,776,892)

Credit Quality and Delinquency

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

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

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

Credit Quality of Loans

(dollars in thousands)	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2022	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$ 13,640,069**	**97.0%**	**$ 154,098**	**1.1%**	**$ 263,053**	**1.9%**	**$ 14,057,220**	**100.0%**
Production and intermediate-term	**4,268,002**	**96.2%**	**72,990**	**1.6%**	**99,434**	**2.2%**	**4,440,426**	**100.0%**
Agribusiness	**5,423,518**	**95.7%**	**65,806**	**1.2%**	**176,020**	**3.1%**	**5,665,344**	**100.0%**
Other	**2,746,531**	**98.9%**	**21,614**	**0.8%**	**8,010**	**0.3%**	**2,776,155**	**100.0%**
Total	**$ 26,078,120**	**96.8%**	**$ 314,508**	**1.2%**	**$ 546,517**	**2.0%**	**$ 26,939,145**	**100.0%**

	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2021	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 12,982,494	96.1%	$ 240,739	1.8%	$ 290,393	2.1%	$ 13,513,626	100.0%
Production and intermediate-term	3,936,362	94.8%	98,376	2.4%	115,329	2.8%	4,150,067	100.0%
Agribusiness	4,403,524	95.3%	155,827	3.4%	60,489	1.3%	4,619,840	100.0%
Other	2,357,109	99.7%	1,718	0.1%	5,677	0.2%	2,364,504	100.0%
Total	$ 23,679,489	96.1%	$ 496,660	2.0%	$ 471,888	1.9%	$ 24,648,037	100.0%

	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2020	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 11,036,529	93.5%	$ 376,502	3.2%	$ 388,037	3.3%	$ 11,801,068	100.0%
Production and intermediate-term	3,752,161	91.3%	177,139	4.3%	182,422	4.4%	4,111,722	100.0%
Agribusiness	4,421,378	95.1%	158,853	3.4%	69,784	1.5%	4,650,015	100.0%
Other	2,170,517	99.6%	2,020	0.1%	5,819	0.3%	2,178,356	100.0%
Total	$ 21,380,585	94.1%	$ 714,514	3.1%	$ 646,062	2.8%	$ 22,741,161	100.0%

Note: Accruing loans include accrued interest receivable.

Aging Analysis of Loans

(in thousands) **As of December 31, 2022**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$ 51,657**	**$ 11,237**	**$ 62,894**	**$ 13,994,326**	**$ 14,057,220**	**$ 100**
Production and intermediate-term	**18,839**	**8,295**	**27,134**	**4,413,292**	**4,440,426**	**--**
Agribusiness	**11,452**	**1,582**	**13,034**	**5,652,310**	**5,665,344**	**--**
Other	**7,289**	**9,157**	**16,446**	**2,759,709**	**2,776,155**	**8,256**
Total	**$ 89,237**	**$ 30,271**	**$ 119,508**	**$ 26,819,637**	**$ 26,939,145**	**$ 8,356**

As of December 31, 2021	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 51,947	$ 14,655	$ 66,602	$ 13,447,024	$ 13,513,626	$ --
Production and intermediate-term	2,987	11,209	14,196	4,135,871	4,150,067	--
Agribusiness	--	1,853	1,853	4,617,987	4,619,840	--
Other	17,410	10,554	27,964	2,336,540	2,364,504	9,091
Total	$ 72,344	$ 38,271	$ 110,615	$ 24,537,422	$ 24,648,037	$ 9,091

As of December 31, 2020		30-89 Days Past Due		90 Days or More Past Due		Total Past Due		Not Past Due or Less Than 30 Days Past Due		Total		Accruing Loans 90 Days or More Past Due
Real estate mortgage	$	45,022	$	24,634	$	69,656	$	11,731,412	$	11,801,068	$	1,215
Production and intermediate-term		20,563		21,967		42,530		4,069,192		4,111,722		154
Agribusiness		458		829		1,287		4,648,728		4,650,015		--
Other		8,319		3,078		11,397		2,166,959		2,178,356		1,782
Total	$	74,362	$	50,508	$	124,870	$	22,616,291	$	22,741,161	$	3,151

Note: Accruing loans include accrued interest receivable.

Risk Loans

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

Risk Loan Information

(in thousands) As of December 31		**2022**		2021		2020
Nonaccrual loans:						
Current as to principal and interest	**$**	**59,912**	$	81,160	$	85,409
Past due		**35,764**		33,263		51,941
Total nonaccrual loans		**95,676**		114,423		137,350
Accruing restructured loans		**9,138**		6,931		9,071
Accruing loans 90 days or more past due		**8,356**		9,091		3,151
Total risk loans	**$**	**113,170**	$	130,445	$	149,572
Volume with specific allowance	**$**	**26,336**	$	46,287	$	53,132
Volume without specific allowance		**86,834**		84,158		96,440
Total risk loans	**$**	**113,170**	$	130,445	$	149,572
Total specific allowance	**$**	**11,767**	$	18,669	$	16,544

For the year ended December 31		**2022**		2021		2020
Income on accrual risk loans	**$**	**916**	$	727	$	869
Income on nonaccrual loans		**8,331**		2,527		9,075
Total income on risk loans	**$**	**9,247**	$	3,254	$	9,944
Average risk loans	**$**	**127,804**	$	155,081	$	152,880

Note: Accruing loans include accrued interest receivable.

Nonaccrual Loans by Loan Type

(in thousands) As of December 31		**2022**		2021		2020
Real estate mortgage	**$**	**46,340**	$	69,125	$	86,506
Production and intermediate-term		**29,632**		30,132		44,533
Agribusiness		**17,935**		13,088		3,891
Other		**1,769**		2,078		2,420
Total	**$**	**95,676**	$	114,423	$	137,350

Additional Impaired Loan Information by Loan Type

(in thousands)	As of December 31, 2022 Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	For the year ended December 31, 2022 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	**$ 1,229**	**$ 1,446**	**$ 842**	**$ 14,310**	**$ --**
Production and intermediate-term	**6,337**	**6,476**	**6,242**	**11,431**	**--**
Agribusiness	**17,935**	**19,041**	**3,996**	**12,700**	**--**
Other	**835**	**835**	**687**	**892**	**--**
Total	**$ 26,336**	**$ 27,798**	**$ 11,767**	**$ 39,333**	**$ --**
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	**$ 52,953**	**$ 59,238**	**$ --**	**$ 50,308**	**$ 5,987**
Production and intermediate-term	**24,691**	**30,636**	**--**	**27,647**	**2,778**
Agribusiness	**--**	**757**	**--**	**--**	**--**
Other	**9,190**	**9,155**	**--**	**10,516**	**482**
Total	**$ 86,834**	**$ 99,786**	**$ --**	**$ 88,471**	**$ 9,247**
Total impaired loans:					
Real estate mortgage	**$ 54,182**	**$ 60,684**	**$ 842**	**$ 64,618**	**$ 5,987**
Production and intermediate-term	**31,028**	**37,112**	**6,242**	**39,078**	**2,778**
Agribusiness	**17,935**	**19,798**	**3,996**	**12,700**	**--**
Other	**10,025**	**9,990**	**687**	**11,408**	**482**
Total	**$ 113,170**	**$ 127,584**	**$ 11,767**	**$ 127,804**	**$ 9,247**

	As of December 31, 2021 Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	For the year ended December 31, 2021 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ 18,396	$ 19,137	$ 7,029	$ 22,649	$ --
Production and intermediate-term	13,802	14,655	6,404	17,664	--
Agribusiness	13,088	13,552	4,573	12,505	--
Other	1,001	1,001	663	816	--
Total	$ 46,287	$ 48,345	$ 18,669	$ 53,634	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 57,244	$ 82,871	$ --	$ 65,964	$ 1,020
Production and intermediate-term	16,747	34,743	--	24,295	1,622
Agribusiness	--	845	--	4,504	--
Other	10,167	9,892	--	6,684	612
Total	$ 84,158	$ 128,351	$ --	$ 101,447	$ 3,254
Total impaired loans:					
Real estate mortgage	$ 75,640	$ 102,008	$ 7,029	$ 88,613	$ 1,020
Production and intermediate-term	30,549	49,398	6,404	41,959	1,622
Agribusiness	13,088	14,397	4,573	17,009	--
Other	11,168	10,893	663	7,500	612
Total	$ 130,445	$ 176,696	$ 18,669	$ 155,081	$ 3,254

	As of December 31, 2020			For the year ended December 31, 2020	
	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ 33,129	$ 33,847	$ 6,222	$ 12,232	$ --
Production and intermediate-term	15,325	15,727	8,821	12,460	--
Agribusiness	3,812	4,277	1,113	12,252	--
Other	866	898	388	5,679	--
Total	$ 53,132	$ 54,749	$ 16,544	$ 42,623	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 62,827	$ 86,239	$ --	$ 72,978	$ 5,783
Production and intermediate-term	30,198	47,495	--	27,879	3,839
Agribusiness	79	911	--	2,724	--
Other	3,336	3,880	--	6,676	322
Total	$ 96,440	$ 138,525	$ --	$ 110,257	$ 9,944
Total impaired loans:					
Real estate mortgage	$ 95,956	$ 120,086	$ 6,222	$ 85,210	$ 5,783
Production and intermediate-term	45,523	63,222	8,821	40,339	3,839
Agribusiness	3,891	5,188	1,113	14,976	--
Other	4,202	4,778	388	12,355	322
Total	$ 149,572	$ 193,274	$ 16,544	$ 152,880	$ 9,944

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

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

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

Troubled Debt Restructurings (TDRs)

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

TDR Activity

(in thousands)

For the year ended December 31	**2022**		2021		2020	
	Pre-modification	Post-modification	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	**$ --**	**$ --**	$ 1,490	$ 2,165	$ 4,574	$ 5,047
Production and intermediate-term	**28**	**36**	4,078	3,554	2,236	1,729
Other	**--**	**--**	--	--	186	187
Total	**$ 28**	**$ 36**	$ 5,568	$ 5,719	$ 6,996	$ 6,963

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

The primary types of modification included deferral of principal and interest rate reduction below market.

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

TDRs Outstanding

(in thousands) As of December 31	2022	2021	2020
Accrual status:			
Real estate mortgage	**$ 7,741**	$ 6,514	$ 8,236
Production and intermediate-term	**1,397**	417	835
Other	**--**	--	--
Total TDRs in accrual status	**$ 9,138**	$ 6,931	$ 9,071
Nonaccrual status:			
Real estate mortgage	**$ 1,216**	$ 3,453	$ 1,541
Production and intermediate-term	**123**	3,098	510
Other	**128**	148	180
Total TDRs in nonaccrual status	**$ 1,467**	$ 6,699	$ 2,231
Total TDRs:			
Real estate mortgage	**$ 8,957**	$ 9,967	$ 9,777
Production and intermediate-term	**1,520**	3,515	1,345
Other	**128**	148	180
Total TDRs	**$ 10,605**	$ 13,630	$ 11,302

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

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) For the year ended December 31	2022	2021	2020
Balance at beginning of year	**$ 63,700**	$ 89,157	$ 78,504
Provision for loan losses	**(11,000)**	(15,000)	27,894
Loan recoveries	**386**	274	875
Loan charge-offs	**(423)**	(10,731)	(18,116)
Balance at end of year	**$ 52,663**	$ 63,700	$ 89,157

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

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2021	**$ 32,340**	**$ 15,257**	**$ 11,971**	**$ 4,132**	**$ 63,700**
Provision for loan losses	**(10,635)**	**(1,530)**	**1,392**	**(227)**	**(11,000)**
Loan recoveries	**27**	**359**	**--**	**--**	**386**
Loan charge-offs	**(69)**	**(346)**	**--**	**(8)**	**(423)**
Balance as of December 31, 2022	**$ 21,663**	**$ 13,740**	**$ 13,363**	**$ 3,897**	**$ 52,663**
Ending balance: individually evaluated for impairment	**$ 842**	**$ 6,242**	**$ 3,996**	**$ 687**	**$ 11,767**
Ending balance: collectively evaluated for impairment	**$ 20,821**	**$ 7,498**	**$ 9,367**	**$ 3,210**	**$ 40,896**
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2022	**$ 14,057,220**	**$ 4,440,426**	**$ 5,665,344**	**$ 2,776,155**	**$ 26,939,145**
Ending balance: individually evaluated for impairment	**$ 54,182**	**$ 31,028**	**$ 17,935**	**$ 10,025**	**$ 113,170**
Ending balance: collectively evaluated for impairment	**$ 14,003,038**	**$ 4,409,398**	**$ 5,647,409**	**$ 2,766,130**	**$ 26,825,975**

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2020	$ 46,564	$ 26,164	$ 11,707	$ 4,722	$ 89,157
Provision for loan losses	(13,721)	(10,254)	9,565	(590)	(15,000)
Loan recoveries	106	87	81	--	274
Loan charge-offs	(609)	(740)	(9,382)	--	(10,731)
Balance as of December 31, 2021	$ 32,340	$ 15,257	$ 11,971	$ 4,132	$ 63,700
Ending balance: individually evaluated for impairment	$ 7,029	$ 6,404	$ 4,573	$ 663	$ 18,669
Ending balance: collectively evaluated for impairment	$ 25,311	$ 8,853	$ 7,398	$ 3,469	$ 45,031
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2021	$ 13,513,626	$ 4,150,067	$ 4,619,840	$ 2,364,504	$ 24,648,037
Ending balance: individually evaluated for impairment	$ 75,640	$ 30,549	$ 13,088	$ 11,168	$ 130,445
Ending balance: collectively evaluated for impairment	$ 13,437,986	$ 4,119,518	$ 4,606,752	$ 2,353,336	$ 24,517,592

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2019	$ 30,522	$ 23,813	$ 16,165	$ 8,004	$ 78,504
Provision for loan losses	17,918	8,290	2,051	(365)	27,894
Loan recoveries	155	544	30	146	875
Loan charge-offs	(2,031)	(6,483)	(6,539)	(3,063)	(18,116)
Balance as of December 31, 2020	$ 46,564	$ 26,164	$ 11,707	$ 4,722	$ 89,157
Ending balance: individually evaluated for impairment	$ 6,222	$ 8,821	$ 1,113	$ 388	$ 16,544
Ending balance: collectively evaluated for impairment	$ 40,342	$ 17,343	$ 10,594	$ 4,334	$ 72,613
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2020	$ 11,801,068	$ 4,111,722	$ 4,650,015	$ 2,178,356	$ 22,741,161
Ending balance: individually evaluated for impairment	$ 95,956	$ 45,523	$ 3,891	$ 4,202	$ 149,572
Ending balance: collectively evaluated for impairment	$ 11,705,112	$ 4,066,199	$ 4,646,124	$ 2,174,154	$ 22,591,589

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

NOTE 4: LOANS HELD FOR SALE

Loans held for sale represent mortgage loans we intend to sell. The interest rate on these loans is set prior to funding. We are subject to the effects of changes in mortgage interest rates from the date of the interest rate lock commitment through the sale of the loan to a third-party investor. As a result, we are exposed to interest rate risk and related price risk during the period from the date of the interest rate lock commitment through the interest rate lock commitment cancellation or expiration date or through the date of sale to a third-party investor. To minimize risk we use forward commitments to sell TBAs at specified prices to economically hedge the interest rate risk.

NOTE 5: INVESTMENT SECURITIES

We have held-to-maturity investment securities of $1.3 billion, $1.1 billion, and $1.1 billion at December 31, 2022, 2021, and 2020, respectively. Our investment securities consisted of:

- Mortgage-backed securities (MBS) issued by Farmer Mac or guaranteed by the Small Business Administration (SBA) or by the United States Department of Agriculture (USDA)
- Asset-backed securities (ABS) issued and guaranteed by SBA or USDA
- Municipal revenue bonds and corporate debt securities (Bonds)

The investment securities have been classified as held-to-maturity. MBS are generally longer-term investments and ABS are generally shorter-term investments. Farmer Mac guaranteed investments are typically MBS while SBA and USDA guaranteed investments may be comprised of either MBS or ABS. All of our held-to-maturity investment securities, except $43.9 million, $55.2 million, and $19.2 million, were fully guaranteed by Farmer Mac, SBA, or USDA at December 31, 2022, 2021, and 2020, respectively.

Additional Held-to-Maturity Investment Securities Information

(dollars in thousands) **As of December 31, 2022**	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
MBS and bonds	**$ 665,493**	**$ 628**	**$ (64,709)**	**$ 601,412**	**3.5%**
ABS	**639,582**	**33**	**(36,271)**	**603,344**	**2.1%**
Total	**$ 1,305,075**	**$ 661**	**$ (100,980)**	**$ 1,204,756**	**2.8%**

As of December 31, 2021	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
MBS and bonds	$ 741,708	$ 11,357	$ (13,441)	$ 739,624	3.9%
ABS	384,253	2,712	(3,611)	383,354	0.6%
Total	$ 1,125,961	$ 14,069	$ (17,052)	$ 1,122,978	2.8%

As of December 31, 2020	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
MBS and bonds	$ 776,082	$ 38,817	$ (1,676)	$ 813,223	3.7%
ABS	373,356	639	(4,944)	369,051	0.9%
Total	$ 1,149,438	$ 39,456	$ (6,620)	$ 1,182,274	2.8%

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $33.1 million, $31.1 million, and $33.3 million in 2022, 2021, and 2020, respectively.

Contractual Maturities of Held-to-Maturity Investment Securities

(in thousands) **As of December 31, 2022**	Amortized Cost	Fair Value
Less than one year	**$ 318**	**$ 326**
One to five years	**34,730**	**34,315**
Five to ten years	**380,749**	**361,733**
More than ten years	**889,278**	**808,382**
Total	**$ 1,305,075**	**$ 1,204,756**

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

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

(in thousands)	Less than 12 months		Greater than 12 months	
As of December 31, 2022	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS and bonds	**$ 267,042**	**$ (17,685)**	**$ 299,279**	**$ (47,024)**
ABS	**444,604**	**(25,950)**	**155,648**	**(10,321)**
Total	**$ 711,646**	**$ (43,635)**	**$ 454,927**	**$ (57,345)**

	Less than 12 months		Greater than 12 months	
As of December 31, 2021	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS and bonds	$ 275,664	$ (7,370)	$ 115,138	$ (6,071)
ABS	105,618	(1,862)	110,123	(1,749)
Total	$ 381,282	$ (9,232)	$ 225,261	$ (7,820)

As of December 31, 2020	Less than 12 months Fair Value	Unrealized Losses	Greater than 12 months Fair Value	Unrealized Losses
MBS and bonds	$ 108,234	$ (1,429)	$ 5,732	$ (247)
ABS	223,290	(3,299)	66,958	(1,645)
Total	$ 331,524	$ (4,728)	$ 72,690	$ (1,892)

Unrealized losses greater than 12 months associated with held-to-maturity investment securities are not considered to be other-than-temporary due to the 100% guarantee of the principal by Farmer Mac, SBA, or USDA. However, the premiums paid to purchase the investment are not guaranteed and are amortized as a reduction of interest income. Repayment of principal is assessed at least quarterly, and any remaining unamortized premium is taken as a reduction to interest income if principal repayment is unlikely, or when a demand for payment is made for the guarantee.

We had no outstanding available-for-sale investment securities at December 31, 2022, 2021, or 2020.

Additional Available-for-Sale Investment Securities Information

(in thousands) For the year ended December 31	**2022**	2021	2020
Proceeds from sales	**$ --**	$ --	$ 37,020
Realized losses on sales, net	**--**	--	(181)

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

NOTE 6: INVESTMENT IN AGRIBANK

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

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

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

NOTE 7: NOTE PAYABLE TO AGRIBANK

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

Note Payable Information

(dollars in thousands) As of December 31	**2022**	2021	2020
Line of credit	**$ 35,000,000**	$ 27,000,000	$ 27,000,000
Outstanding principal under the line of credit	**24,149,070**	21,900,691	20,467,861
Interest rate	**3.0%**	1.3%	1.3%

Our note payable was scheduled to mature on September 30, 2023. However, it was renewed early for $35.0 billion with a maturity date of September 30, 2025. We intend to renegotiate the note payable no later than the maturity date.

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

NOTE 8: SUBORDINATED DEBT

In May 2021, we issued $150.0 million of aggregate principal amount of unsecured subordinated notes due on June 1, 2036, with an option to redeem all or some of the notes, at any time after a date 10 years from the closing date. The notes bear a fixed-to-floating interest rate of 3.375% per annum through May 31, 2031. Beginning June 1, 2031, the interest rate shall reset quarterly to an interest rate per annum equal to the then three-month term Secured Overnight Financing Rate (SOFR) plus 196.5 basis points. Concurrently, we issued $50.0 million of aggregate principal amount of unsecured subordinated notes due on June 1, 2031, with an option to redeem all or some of the notes, at any time after a date five years from the closing date. The notes bear a fixed-to-floating interest rate of 2.75% per annum through May 31, 2026. Beginning June 1, 2026, the interest rate shall reset quarterly to an interest rate per annum equal to the then three-month term SOFR plus 203.0 basis points. These notes are unsecured and subordinate to all other categories of creditors, including general creditors, and senior to all classes of stock. Proceeds have increased our regulatory permanent capital and total capital ratios and position us for the future.

The subordinated notes are not Systemwide debt and are not an obligation of, nor guaranteed by any System entity. Payments on the subordinated notes are not insured by the Farm Credit Insurance Fund.

NOTE 9: EQUITY

Capitalization Requirements

In accordance with the Farm Credit Act, each client is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2.0% of the customer's total loan(s) or one thousand dollars, whichever is less. The purchase of one $5.00 participation certificate is required of all non-stockholder customers to whom a lease is issued or who purchase crop insurance. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The client acquires ownership of capital stock or participation certificates at the time the loan or lease is made. 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 clients. Stock is retired in accordance with our bylaws. Clients are responsible for payment of the cash investment upon demand by the Association.

Prior to March 12, 2022, the aggregate value of a client's stock was added to the principal amount of the related obligation. In only certain circumstances, clients were not required to make a cash investment to acquire capital stock or participation certificates. Instead, their obligation to pay for the capital stock or participation certificates was maintained as an interest free obligation with the Association.

Effective March 12, 2022, the Board of Directors revised the stock requirement for loans of one thousand dollars to be completed at a customer level. In addition, going forward, the value of the stock would no longer be added to the principal amount of the related obligations. No cash investments to acquire capital stock or participation certificates by any client would be required. Instead, all obligations to pay for the capital stock or participation certificates would be maintained as interest free obligations with the Association. For existing clients as of March 12, 2022, with the signing of their respective new cooperative membership agreement, their cash investment previously made to acquire capital stock or participation certificates would be returned. Their obligations to pay for the capital stock or participation certificates would then be maintained as an interest free obligation with the Association.

The capital stock and participation certificates are included within equity on the Consolidated Statements of Condition. Capital stock and participation certificates not requiring a cash investment are also included within equity, on a contra line item titled "Capital stock and participation certificates receivable."

Regulatory Capitalization Requirements

Regulatory Capital Requirements and Ratios

As of December 31	**2022**	2021	2020	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**13.2%**	13.9%	14.3%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**14.0%**	14.6%	14.7%	6.0%	2.5%	8.5%
Total capital ratio	**14.9%**	15.8%	15.2%	8.0%	2.5%	10.5%
Permanent capital ratio	**14.8%**	15.7%	15.0%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**14.1%**	14.9%	14.8%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**12.5%**	14.7%	14.6%	1.5%	N/A	1.5%

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

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

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

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

- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- Unallocated retained earnings and equivalents leverage ratio is unallocated retained earnings as regulatorily prescribed, paid-in capital, allocated surplus not subject to retirement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

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

Description of Equities

The following represents information regarding classes and number of shares of stock and participation certificates outstanding. All shares and participation certificates are stated at a $5.00 par value, except for Series A-1 and B-1 preferred stock, which are $1,000 par value.

	Number of Shares		
As of December 31	**2022**	2021	2020
Class B common stock (at-risk)	**7,584,259**	6,636,168	6,499,343
Class E participation certificates (at-risk)	**386,568**	289,962	269,096
Series A-1 preferred stock	**100,000**	100,000	100,000
Series B-1 preferred stock	**100,000**	100,000	--

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

In May 2013, we issued $100.0 million of Series A-1 non-cumulative perpetual preferred stock. This series may be held or transferred in blocks having an aggregate par value of not less than $250,000 and an investor must hold at least 250 shares. We used the net proceeds from the Series A-1 preferred stock issuance to increase our regulatory capital pursuant to FCA Regulations in effect at the time of issuance, for the continued development of our business, and for general corporate purposes.

Dividends on the Series A-1 preferred stock, if declared by the Board of Directors in its sole discretion, are non-cumulative and are payable quarterly in arrears on the 15th day of February, May, August, and November, beginning on August 15, 2013. Dividends accrue at a fixed annual rate of 6.75% from the date of issuance through August 14, 2023, and beginning on August 15, 2023, will accrue at an annual rate equal to the 3-month United States Dollar London Inter-bank Offered Rate (LIBOR), reset quarterly, plus 4.58%. If LIBOR is not readily available at this time, a new 3-month rate will be determined as outlined in the preferred stock documentation. The Series A-1 preferred stock is not mandatorily redeemable at any time. However, the Series A-1 preferred stock will be redeemable at par value, in whole or in part, at our option, quarterly beginning on August 15, 2023. In addition, the Series A-1 preferred stock will be redeemable in whole, at our option, at any time upon the occurrence of certain defined regulatory events.

In May 2021, we issued $100.0 million of Series B-1 non-cumulative perpetual preferred stock, representing 100,000 shares at $1,000 per share par value. This series may be held or transferred in blocks having an aggregate par value of not less than $250,000 and an investor must hold at least 250 shares. We used the net proceeds from the Series B-1 preferred stock issuance to increase our permanent capital, tier 1 capital, and total capital ratios and for general corporate purposes, including to pay down a portion of our outstanding note payable to AgriBank.

Dividends on the Series B-1 preferred stock, if declared by the Board of Directors in its sole discretion, are non-cumulative and are payable quarterly in arrears on the 15th day of February, May, August, and November, beginning on August 15, 2021. Dividends will accrue at a fixed annual rate of 4.875% from the date of issuance through August 14, 2026, and beginning on August 15, 2026, will accrue at an annual rate equal to the five-year treasury rate, reset quarterly, plus 4.10%. The Series B-1 preferred stock is not mandatorily redeemable at any time. However, the Series B-1 preferred stock will be redeemable at par value, in whole or in part, at our option, quarterly beginning on August 15, 2026. In addition, the Series B-1 preferred stock will be redeemable in whole, at our option, at any time upon the occurrence of certain defined regulatory events.

The Series A-1 and B-1 preferred stock are junior to any subordinated debt, existing and future debt obligations, and to any series of preferred stock we may issue in the future with priority rights. Series A-1 and B-1 preferred stock have the same ranking and are senior to outstanding Class B, Class C, or Class D common stock, Class E participation certificates, and patronage equities. Series A-1 and B-1 preferred stockholders do not have any voting rights, but may appoint two board observers after six unpaid dividend payments. The Series A-1 and B-1 preferred stock have a preference as to dividends and on liquidation or dissolution over all other classes of equities.

Only holders of Class B common stock have voting rights. Our bylaws allow us to pay dividends on any classes of stock. However, no stock dividends have been declared to date other than on Series A-1 and B-1 preferred stock.

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

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

- first, to holders of Series A-1 and B-1 preferred stock pro rata to all such stock,
- second, to holders of Class B, Class C, and Class D common stock and Class E participation certificates pro rata to all such stock,
- third, to member stockholders who have received capital through patronage transactions pro rata to all such capital, and

- lastly, any remaining assets shall be distributed to current and former member stockholders based on relative patronage transactions.

In the event of stock impairment, losses will be absorbed by unallocated capital reserves, patronage equities, or the concurrent impairment of all classes of stock, in a manner deemed to be fair and equitable by the Board of Directors, provided that no shares of Series A-1 or B-1 preferred stock will be impaired until all classes of junior stock have been impaired in their entirety.

All classes of stock and participation certificates, other than Series A-1 and B-1 preferred stock, are transferable to other clients who are eligible to hold such class of stock or participation certificates. Transfers of Class B common stock are subject to the approval of the Board of Directors. Transfers of Class C or Class D common stock or Class E participation certificates are only allowed if we meet the regulatory minimum capital requirements. Series A-1 and B-1 preferred stock may only be transferred to qualified institutional buyers and institutional accredited investors, as those terms are defined by the Securities Act of 1933, as amended, and only in accordance with the terms and limitations of the Series A-1 and B-1 preferred stock offering documents.

Patronage Distributions

Patronage is a distribution of earnings and can be allocated and/or distributed in the form of cash, qualified written notices of allocations, and/or nonqualified written notices of allocation. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

As authorized by the Board of Directors, we accrued patronage distributions of $202.0 million at December 31, 2022, for our cash patronage and nonqualified patronage programs. The cash patronage distributions of $150.0 million are expected to be paid in cash during 2023. The redemptions of $52.0 million of the nonqualified equities issued to former members of AgStar Financial Services, ACA (AgStar), 1st Farm Credit Services, ACA (1st FCS), and Badgerland Financial, ACA (Badgerland) are expected to be paid in the first quarter of 2023, and will also include $559 thousand of other retirements. We accrued patronage distributions of $202.0 million at December 31, 2021, for our cash patronage and nonqualified patronage programs. The cash patronage distributions of $149.9 million were paid in cash during 2022. The redemptions of $52.0 million of the nonqualified equities issued to former members of AgStar, 1st FCS, and Badgerland were paid in the first quarter of 2022, and also included $1.2 million of other retirements. We accrued patronage distributions of $197.0 million at December 31, 2020, for our cash patronage and nonqualified patronage programs. The cash patronage distributions of $145.0 million were paid in cash during 2021. The redemptions of $52.0 million of the nonqualified equities issued to former members of AgStar, 1st FCS, and Badgerland were paid in the first quarter of 2021, and also included $783 thousand of other retirements.

Upon the merger, all allocated surplus issued by 1st FCS and Badgerland became allocated surplus in the merged Association. The allocated surplus held by former AgStar patrons remains outstanding as allocated surplus of the merged Association. With the exception of allocated surplus designated as permanent allocations, all allocated surplus is eligible to be redeemed in the future, if approved by the Board of Directors subject to compliance with Compeer Financial, ACA's bylaws and FCA Regulations. Redemptions of permanent allocations shall not be eligible to be redeemed. We made no net nonqualified patronage allocations at December 31, 2022, 2021, or 2020. Patronage equities have no voting rights, are redeemed at the sole discretion of the Board of Directors and are transferable only if specifically authorized by the Board of Directors.

The Board of Directors authorized the payment of $8.5 million, $7.3 million, and $6.8 million of distributions on approved transactions in 2022, 2021, and 2020, respectively.

The timing and amounts of all future patronage redemptions and distribution payments remains at the discretion of the Board of Directors based on a combination of factors including the risk in our portfolio, earnings, and our current capital position. Further information regarding the tax impact of our patronage distributions is included in Note 10.

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

NOTE 10: INCOME TAXES

Provision for Income Taxes

Provision for Income Taxes

(dollars in thousands)

For the year ended December 31	**2022**	2021	2020
Current:			
Federal	**$ 9,771**	$ 119	$ 6,677
State	**4,706**	2,527	600
Total current	**$ 14,477**	$ 2,646	$ 7,277
Deferred:			
Federal	**$ 8,749**	$ 17,074	$ 10,317
State	**525**	3,467	266
Total deferred	**9,274**	20,541	10,583
Provision for income taxes	**$ 23,751**	$ 23,187	$ 17,860
Effective tax rate	**4.4%**	4.4%	3.9%

Reconciliation of Taxes at Federal Statutory Rate to Provision for Income Taxes

(in thousands)

For the year ended December 31	2022	2021	2020
Federal tax at statutory rates	$ **113,048**	$ 109,523	$ 96,128
State tax, net	**2,474**	2,740	2,138
Patronage distributions	**(9,880)**	(10,201)	(14,044)
Effect of non-taxable entity	**(84,432)**	(80,057)	(66,385)
Other prior year adjustment	**2,541**	1,182	23
Provision for income taxes	$ **23,751**	$ 23,187	$ 17,860

Deferred Income Taxes

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

Deferred Tax Assets and Liabilities

(in thousands)

As of December 31	2022	2021	2020
Allowance for loan losses	$ **8,079**	$ 8,340	$ 11,033
Accrued incentive	**2,008**	1,638	1,718
Leasing related, net	**(57,375)**	(46,026)	(29,582)
Accrued patronage income not received	**(2,789)**	(5,885)	(5,431)
Accrued pension asset	**(9,359)**	(7,999)	(6,414)
Other assets	**3,648**	3,437	2,621
Other liabilities	**(747)**	(766)	(665)
Deferred tax liabilities, net	$ **(56,535)**	$ (47,261)	$ (26,720)
Gross deferred tax assets	$ **13,735**	$ 13,415	$ 15,372
Gross deferred tax liabilities	$ **(70,270)**	$ (60,676)	$ (42,092)

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

We have not provided for deferred income taxes on approximately $115.9 million of patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. Also, we have not provided deferred income taxes on $8.8 million of patronage allocations in the form of AgriBank stock distributed in 2002 to the ACA and PCA. The Board of Directors has passed a resolution that, should this stock ever be converted to cash, creating a tax liability, an equal amount will be distributed to patrons at that time under our patronage program. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $2.0 billion as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to stockholders in a manner that results in no additional tax liability to us.

Our income tax returns are subject to review by various United States taxing authorities. However, we believe we are no longer subject to income tax examinations for years prior to 2019. In addition, we have concluded that we have taken no uncertain income tax positions at December 31, 2022, that would result in recording an accrual.

NOTE 11: EMPLOYEE BENEFIT PLANS

Pension and Post-Employment Benefit Plans

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

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

Pension Plan: Certain employees participate in the AgriBank District Retirement Plan, a District-wide multi-employer defined benefit retirement plan. The plan is comprised of two benefit formulas. At their option, employees hired prior to October 1, 2001, are on the cash balance formula or the final average pay formula. New benefits-eligible employees hired between October 1, 2001, and December 31, 2006, are on the cash balance formula. Effective January 1, 2007, the defined benefit retirement plan was closed to new employees. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan's benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan's termination is contingent on the sufficiency of the plan's net assets to provide benefits at that time. This plan is noncontributory and covers certain eligible District employees. The assets, liabilities, and costs of the plan are not segregated by participating entities. As such, plan assets are available for any of the participating employers' retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if we choose to stop participating in the plan, we may be required to pay an amount based on the underfunded status of the plan. Because of the nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee transfers to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on eligible compensation and years of service. There is no collective bargaining agreement in place as part of this plan.

AgriBank District Retirement Plan Information

(in thousands)

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

For the year ended December 31		**2022**		2021		2020
Total plan expense	**$**	**30,475**	$	28,048	$	42,785
Our allocated share of plan expenses		**8,941**		8,629		12,357
Contributions by participating employers		**90,385**		90,000		90,000
Our allocated share of contributions		**25,357**		25,280		25,005

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

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

Benefits paid to participants in the District were $132.1 million in 2022. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plan during 2023 is $45.0 million. Our allocated share of these pension contributions is expected to be $13.1 million. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.

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

Pension Restoration Plan Information

(in thousands)

As of December 31		**2022**		2021		2020
Our unfunded liability	**$**	**30,373**	$	32,308	$	24,290

For the year ended December 31		**2022**		2021		2020
Our cash contributions	**$**	**1,108**	$	1,101	$	1,839

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

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

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

Defined Contribution Plans

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

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

Employer contribution expenses for the defined contribution plan, included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income, were $11.5 million, $10.6 million, and $9.9 million in 2022, 2021, and 2020, respectively. These expenses were equal to our cash contributions for each year.

NOTE 12: RELATED PARTY TRANSACTIONS

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

Related Party Loans Information

(in thousands) As of December 31	**2022**	2021	2020
Total related party loans	**$ 32,889**	$ 47,343	$ 43,799
For the year ended December 31	**2022**	2021	2020
Advances to related parties	**$ 20,872**	$ 32,733	$ 21,482
Repayments by related parties	**21,888**	37,311	21,210

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

As described in Note 7, we borrow from AgriBank, in the form of a line of credit, to fund our loan portfolio. All interest expense as shown on the Consolidated Statements of Comprehensive Income was paid to AgriBank.

Total patronage from AgriBank, which includes a partnership distribution from AgDirect, LLP, was $172.4 million, $171.7 million, and $157.0 million in 2022, 2021, and 2020, respectively. Patronage income for 2022 and 2021 was received in cash and AgriBank stock. Patronage income for 2020 was received in cash.

In addition, we received compensation from AgriBank for servicing loans of $4.2 million, $3.8 million, and $3.7 million in 2022, 2021, and 2020, respectively.

Refer to Note 3 for information on participations sold to AgriBank and Note 6 for stock investment in AgriBank information.

As of December 31, 2022, we purchased various business services from AgriBank, including financial reporting services. Until the formation of SunStream Business Services (SunStream) on April 1, 2020, we also purchased financial and retail information technology, collateral, tax reporting, and insurance services from AgriBank. These services are now purchased from SunStream. We also purchase human resource, benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). SunStream and Foundations are both System service corporations within the AgriBank District and the costs incurred are included in the table below in AgriBank District purchased services. In addition to the services we purchase from AgriBank, SunStream, and Foundations we also hold an investment in each of these institutions.

Additional Related Party Information

(in thousands) As of December 31	**2022**	2021	2020
Investment in AgriBank	**$ 922,546**	$ 751,956	$ 662,203
Investment in AgDirect, LLP	**35,734**	31,311	24,180
Investment in SunStream	**5,625**	5,625	5,625
Investment in Foundations	**154**	154	154
For the year ended December 31	**2022**	2021	2020
AgriBank District purchased services	**$ 8,037**	$ 6,023	$ 4,611

NOTE 13: CONTINGENCIES AND COMMITMENTS

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

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

We have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. At December 31, 2022, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $7.0 billion. Additionally, we had $104.5 million of issued standby letters of credit and $15.5 million of other commitments as of December 31, 2022.

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

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

We and other Farm Credit institutions are among the limited partners for Rural Business Investment Companies (RBICs). As of December 31, 2022, our total commitment is $144.5 million of which $73.4 million is unfunded.

NOTE 14: DERIVATIVES

We use forward commitments to sell TBAs at specified prices to economically hedge the interest rate risk on investments available-for-sale, loans held for sale, and interest rate lock commitments. Changes in fair value subsequent to inception are based on changes in the fair value of the underlying loan and for commitments to originate loans and changes in the probability that the loan will fund within the terms of the commitment. Changes in the probability that the loan will fund within the terms of the commitment are affected primarily by changes in interest rates and the passage of time.

As of December 31, 2022, we had $2.0 million of forward commitments to sell, hedging $5.0 million of mortgage loans held for sale and $1.4 million of unfunded mortgage loan commitments. As of December 31, 2021, we had $8.5 million of forward commitments to sell, hedging $24.9 million of mortgage loans held for sale and $4.5 million of unfunded mortgage loan commitments. As of December 31, 2020, we had $62.8 million of forward commitments to sell, hedging $51.5 million of mortgage loans held for sale and $28.1 million of unfunded mortgage loan commitments. The forward commitments to sell and the unfunded mortgage loan commitments on loans intended to be sold are considered derivatives and are recognized at fair value. On the TBAs, we had gains of $1.3 million, $721 thousand, and $1.3 million and losses of $175 thousand, $501 thousand, and $5.5 million relating to net fair value adjustments and sales in 2022, 2021, and 2020, respectively. These amounts were included in “Fee and other non-interest income” in the Consolidated Statements of Comprehensive Income.

NOTE 15: FAIR VALUE MEASUREMENTS

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to fulfill fair value disclosure requirements. Certain assets and liabilities are recorded at fair value on a recurring basis. Additionally, on other assets and liabilities, we record fair value adjustments on a non-recurring basis. The following sections include information on both recurring and non-recurring measurements, as well as our estimates of fair value for financial instruments that are not recorded at fair value.

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

Recurring Basis

The following represents a summary of the assets, valuation techniques, and inputs used to measure fair value on a recurring basis:

Loans Held For Sale: The loans held for sale portfolio is held at fair value. Fair value is based on the prices for other similar mortgage loans with similar characteristics. As necessary, these prices are adjusted for typical securitization activities, including servicing value, portfolio composition, market conditions, and liquidity. We had loans held for sale of $5.0 million, $24.9 million, and $51.5 million, as of December 31, 2022, 2021, and 2020, respectively, which were valued using Level 3 inputs. Gains and losses related to these loans are recognized in “Fee and other non-interest income” and “Other non-interest expense”, respectively, in the Consolidated Statements of Comprehensive Income and were not material for 2022, 2021, or 2020.

Investment Securities Available-for-Sale: Investment securities available-for-sale are held at fair value. Fair value is based on quoted market prices, where available, or the prices for other similar securities with similar characteristics. As necessary, these prices are adjusted for typical securitization activities, including servicing value, portfolio composition, market conditions, and liquidity. There was no available-for-sale activity during 2022 and 2021. We had no outstanding available-for-sale investment securities at December 31, 2020. During the year ended December 31, 2020, we sold available-for-sale investment securities with total sales proceeds of $37.0 million, resulting in a loss of $181 thousand in 2020, which was recognized in “Fee and other non-interest income” in the Consolidated Statements of Comprehensive Income.

Derivatives: If an active market exists, the fair value of our derivative financial instruments called TBAs is based on currently quoted market prices. We had TBAs with a notional value of $2.0 million, $8.5 million, and $62.8 million, as of December 31, 2022, 2021, and 2020, respectively, which were used to manage exposure to interest rate risk and changes in the fair value of loans held for sale and the interest rate lock commitments that are determined prior to funding. We also used these instruments to hedge the changes in fair value related to investment securities available-for-sale. These derivatives were recorded on a net basis using Level 1 inputs. Net losses related to TBAs sold, combined with fair value gains on the TBAs, resulted in a net gain of $1.2 million and $220 thousand in 2022 and 2021, respectively compared to a net loss of $4.3 million in 2020. These were included in “Fee and other non-interest income” in the Consolidated Statements of Comprehensive Income.

Non-Recurring Basis

We may also be required, from time to time, to measure certain assets at fair value on a non-recurring basis. The following represents a summary of the assets, valuation techniques, and inputs used to measure fair value on a non-recurring basis:

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

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. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management’s knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of December 31, 2022	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	**$ --**	**$ --**	**$ 15,297**	**$ 15,297**
Other property owned	**--**	**--**	**856**	**856**

As of December 31, 2021	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$ 28,999	$ 28,999
Other property owned	--	--	15,876	15,876

As of December 31, 2020	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$ 38,417	$ 38,417
Other property owned	--	--	4,106	4,106

Other Financial Instrument Measurements

For financial instruments not recorded at fair value, estimates of fair value are based on relevant market data and information about the instruments. An active market does not exist for certain instruments. Fair value estimates for these instruments are based on current economic conditions and interest rate risk characteristics, loss experience, and other factors. Many of these estimates involve uncertainties and matters of significant judgment and cannot be determined with precision. Therefore, the fair value estimates in many instances cannot be substantiated by comparison to independent markets. In addition, changes in assumptions could significantly affect these fair value estimates.

Estimating the fair value of our investment in AgriBank is not practical because the stock is not traded. As discussed in Note 6, the investment is a requirement of borrowing from AgriBank.

The following table presents each class of our financial instruments, measured at carrying amounts and not measured at fair value on the Consolidated Statements of Condition, for which it is practical to estimate that value, follows:

Financial Instruments Not Measured at Fair Value on the Consolidated Statements of Condition

(in thousands)	Total Carrying	Fair Value Measurement Using			
As of December 31, 2022	Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash	**$ 2,400**	**$ 2,400**	**$ --**	**$ --**	**$ 2,400**
Net non-impaired loans held to maturity	**26,652,621**	**--**	**--**	**25,001,166**	**25,001,166**
Investment securities	**1,305,075**	**--**	**608,479**	**596,277**	**1,204,756**
Financial liabilities:					
Note payable to AgriBank, FCB	**24,149,070**	**--**	**--**	**22,636,735**	**22,636,735**
Subordinated debt	**200,000**	**--**	**--**	**148,250**	**148,250**

	Total Carrying	Fair Value Measurement Using			
As of December 31, 2021	Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash	$ 2,400	$ 2,400	$ --	$ --	$ 2,400
Net non-impaired loans held to maturity	24,398,849	--	--	24,375,939	24,375,939
Investment securities	1,125,961	--	391,251	731,727	1,122,978
Financial liabilities:					
Note payable to AgriBank, FCB	21,900,691	--	--	21,875,185	21,875,185
Subordinated debt	200,000	--	--	199,500	199,500

	Total Carrying	Fair Value Measurement Using			
As of December 31, 2020	Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash	$ 2,300	$ 2,300	$ --	$ --	$ 2,300
Net non-impaired loans held to maturity	22,459,359	--	--	22,658,836	22,658,836
Investment securities	1,149,438	--	379,173	803,101	1,182,274
Financial liabilities:					
Note payable to AgriBank, FCB	20,458,004	--	--	20,742,197	20,742,197
Subordinated debt	--	--	--	--	--

NOTE 16: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 1, 2023, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our 2022 Consolidated Financial Statements or disclosure in the Notes to Consolidated Financial Statements.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

Compeer Financial, ACA

(Unaudited)

Description of Business

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

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

Description of Property

Property Information

Location	Description	Usage
Illinois		
Aledo	Owned	Branch
Bloomington	Owned	Branch
Bourbonnais	Leased	Branch
Carthage	Leased	Contact Office
Edwards	Owned	Branch
Freeport	Owned	Branch
Geneseo	Owned	Branch
Macomb	Owned	Branch
Monmouth	Owned	Branch
Morton	Owned	Branch
Mt. Sterling	Leased	Contact Office
Naperville	Leased	Branch
Oregon	Owned	Branch
Ottawa	Owned	Branch
Pontiac	Leased	Branch
Princeton	Owned	Branch
Quincy	Owned	Branch
Rock Falls	Leased	Branch
Sycamore	Leased	Branch
Minnesota		
Blue Earth	Leased	Branch
Duluth	Leased	Contact Office
Glencoe	Owned	Branch
Lakeville	Owned	Branch
Mankato	Owned	Branch
Mankato	Leased	Corporate Facility
Rochester	Leased	Branch
St. Paul	Leased	Commercial Unit
Waite Park	Owned	Branch
Worthington	Leased	Branch

Location	Description	Usage
Wisconsin		
Arcadia	Leased	Branch
Baldwin	Owned	Branch
Beaver Dam	Owned	Branch
Burlington	Owned	Contact Office
Dodgeville	Owned	Branch
Fond du Lac	Owned	Branch
Janesville	Owned	Branch
Johnson Creek	Owned	Branch
Lancaster	Owned	Branch
Mondovi	Owned	Branch
Monroe	Leased	Branch
Plymouth	Leased	Branch
Prairie du Sac	Owned	Branch
Rice Lake	Owned	Branch
Sparta	Owned	Branch
Sun Prairie	Owned	Corporate Headquarters
Viroqua	Leased	Branch
Other		
Nampa, ID	Leased	Contact Office
Des Moines, IA	Leased	Contact Office

Legal Proceedings

Information regarding legal proceedings is included in Note 13 to the Consolidated Financial Statements in this Annual Report. We were not subject to any enforcement actions as of December 31, 2022.

Description of Capital Structure

Information regarding our capital structure is included in Note 9 to the Consolidated Financial Statements in this Annual Report.

Description of Liabilities

Information regarding liabilities is included in Notes 7, 8, 9, 10, 11, 13, and 15 to the Consolidated Financial Statements in this Annual Report. All debt and other liabilities in the financial statements are uninsured.

Selected Financial Data

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

Management's Discussion and Analysis

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

Board of Directors

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

- The **Audit and Finance Committee** oversees financial reporting, the adequacy of our internal control systems, the scope of our internal audit program, the independence of the outside auditors, the processes for monitoring compliance with laws and regulations and the code of ethics. The Audit and Finance Committee also oversees the adequacy of management's actions with respect to recommendations arising from auditing activities.
- The **Compensation and Governance Committee** addresses issues of Board governance and the Board's continuing efforts to strengthen and renew the Board, administers a process for maintaining and periodically reviewing Board policies, oversees and provides overall direction and/or recommendations for compensation, benefits and human resource performance management programs.
- The **Enterprise Risk Committee** oversees the integration of risk management activities throughout our organization. Committee members review ongoing risk assessments of current and emerging risks to ensure adequate planning and resources are directed at managing the identified risks. The Committee also establishes and promotes an effective risk culture throughout our organization.

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

Name	Principal occupation, business experience, and other business affiliations
David Peters **Chairperson** **Current Term:** 2020 - 2024	**Principal occupation:** Self-employed wheat, soybean, and corn farmer **Other business affiliations:** Trustee: Manteno Township Fire Protection District
Stephanie Wise **Vice Chairperson** **Current Term:** 2021 - 2025	**Principal occupation:** Corn, soybean, and popcorn farming operation Owner: Gripp Farm Nutrients, LLC, agribusiness/fertilizer Owner: Bright Prairies, LLC, general merchandise **Other business affiliations:** Director: Farm Credit Foundations, a pension and benefits service provider
Akin Agar **Outside Director** **Current Term:** 2021 - 2025	**Principal occupation:** Technology executive and consultant **Business experience:** Vice President Banking Technology: Total Expert, a Fintech software startup specializing in customer relationship management and marketing solutions for financial institutions, since August 2022 Chief Information Officer: VyStar Credit Union from December 2013 to November 2020 **Other business affiliations:** President: AKLEA LLC, real estate rental
Ashley Ahl **Current Term:** 2022 - 2026	**Principal occupation:** Acting Managing Partner: Northern Family Farms, LLP, a Christmas tree and nursery farm **Other business affiliations:** Member: B&A Ventures LLC, apartment rentals President and Member: NFF Holdings LLC, apartment rentals and real estate group Treasurer: Black River Falls Area Foundation, a non-profit community development organization Member: NFF Wetland Preserve LLC, a wetland mitigation organization Vice President: NCT Transport LLC, trucking President: Whitespire Hills LLC, a real estate development group Member: United States Department of Agriculture Christmas Tree Promotion Board's Promotion Committee
Rodney Bosma **Current Term:** 2019 - 2023	**Principal occupation:** Self-employed grain and livestock farmer

Name	Principal occupation, business experience, and other business affiliations
Ann Broome **Outside Director** **Current Term:** 2019 - 2023	**Principal occupation:** Self-employed Human Resources Consultant **Other business affiliations:** President: Sienna Group, Human Resources Consulting
Allyn Buhrow **Current Term:** 2019 - 2023	**Principal occupation:** Self-employed corn and soybean farmer and seed sales agent **Other business affiliations:** Vice Chair: Illinois Leadership Council for Agricultural Education, an advocacy council Treasurer: Lee County Farm Bureau, an advocacy council Member: Illinois Committee for Agricultural Education, an education advisory committee Director: AgriBank District Farm Credit Council, a trade association representing the AgriBank District
Mark Cade **Current Term:** 2020 - 2024	**Principal occupation:** Self-employed beef and grain farmer Owner: Windy Ridge Properties, LLC, rental properties **Other business affiliations:** Director: AgriBank District Farm Credit Council, a trade association representing the AgriBank District
Dan Erickson **Current Term:** 2021 - 2025	**Principal occupation:** Self-employed grain farmer and custom heifer producer **Other business affiliations:** Director: AgriBank District Farm Credit Council, a trade association representing the AgriBank District
Tim Evert **Current Term:** 2019 - 2023	**Principal occupation:** President: Evert Farms, Inc., a custom heifer raising and crop farm Partner: United Dreams Dairy, LLC, a dairy farm
Larry Fischer **Current Term:** 2021 - 2025	**Principal occupation:** President: Fischer Dairy, a grain and beef farm (d/b/a Trohatin Farms) President: Fischer Ridge, LLC, a land partnership
Dale Holmgren **Current Term:** 2020 - 2024	**Principal occupation:** Self-employed grain and livestock farmer **Other business affiliations:** President: Svin Hus, Inc., a swine operation
Greg Pollesch, CPA **Outside Director** **Current Term:** 2022 - 2026	**Principal occupation:** Owner and Manager: GSP Associates LLC, a business consultation service provider Owner and Operator: UPS Store, a shipping and receiving store **Business experience:** President: Galloway Company from April 2008 to November 2020 **Other business affiliations:** Member: 3Eleventures LLC, a business services provider Director: Wisconsin Dairy Producers Association, an industry trade group Director: Wisconsin Producer Security Fund, a trust fund Director: Galloway Company, a sweetened condensed milk and ice cream mix manufacturer Owner and Manager: 82 West LLC, a real estate investment group
Dan Scheider **Current Term:** 2022 - 2026	**Principal occupation:** President: Scheidairy Farms, Inc., a dairy and grain farm **Other business affiliations:** Director: Buckeye Mutual Insurance Co., a local mutual insurance company Director: Stephenson County Farm Bureau, an agriculture educator and advocate Director: Stephenson County Farm Bureau Foundation, a fundraising entity Director: Stephenson County Board of Health, an advisory board Director: Public Health Foundation of Northwest Illinois, Inc., a nonprofit organization supporting public health services and advancement of public health awareness
Kim Wedig **Current Term:** 2021 - 2025	**Principal occupation:** Self-employed grain, dairy, and cow-calf farmer

Typically each director's respective term ends following the fourth annual meeting after being elected, and until a successor is elected.

Pursuant to our bylaws, Directors are paid a reasonable amount for attendance at board meetings, committee meetings, or other special assignments. Directors are also reimbursed for reasonable expenses incurred in connection with such meetings or assignments. In 2022, the Board of Directors' per diem rate was $535 per day plus travel time compensation for each meeting attended. The per diem rate was increased to $555 per day, effective January 1, 2023. The Board of Directors regular monthly meetings are normally two days in length. In addition, they hold two, three-day planning sessions annually. In 2022, each Director received an $1,850 per month retainer fee, with the exception of the Board chairperson who received a $2,300 per month retainer fee and the Board vice chairperson and Board committee chairpersons who received a $2,000 per month retainer fee. Effective January 1, 2023, the per month retainer fee was increased to $1,900 for each Director, with the exception of the Board chairperson retainer which increased to $2,400 per month, and the Board vice chairperson and Board committee chairpersons retainers increasing to $2,100 per month. Each Director is eligible for a variable retainer fee based on companywide financial and business objectives. The award is calculated as a percentage of the Director's annual per diem compensation. The performance criteria include return on equity, operating revenue growth, average daily balance (ADB) growth, adverse assets to risk funds ratio, net operating rate, client satisfaction, and client loyalty. Under the terms of the plan, no payments are made in the event our return on equity or adverse assets to risk funds ratio fall outside specified threshold levels. The percentage used in the award calculation depends on the actual results for each performance criteria.

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

	Number of Days Served		Compensation Paid for		
Name	Board Meetings	Other Official Activities	Service on a Board Committee	Name of Committee	Total Compensation Paid in 2022[1]
Akin Agar	18	34	$ 2,140	Enterprise Risk	$ 64,208
Ashley Ahl	18	14	3,745	Audit and Finance	60,364
Rodney Bosma	17	17	3,745	Audit and Finance	65,833
Ann Broome	18	52	2,140	Compensation and Governance	89,570
Allyn Buhrow	14	21	2,140	Enterprise Risk	60,895
Mark Cade	18	29	2,140	Compensation and Governance	70,467
Kaye Compart[3]	12	13	1,605	Enterprise Risk	49,303
Dan Erickson	18	22	2,140	Enterprise Risk	70,382
Tim Evert	16	18	2,140	Enterprise Risk	61,502
Larry Fischer	18	16	2,140	Compensation and Governance	61,754
Kathleen Hainline[2]	--	--	--		12,070
Dale Holmgren	17	22	2,140	Enterprise Risk	67,750
Greg Nelson[3]	14	24	1,605	Compensation and Governance	64,401
Roger Newell[3]	15	10	2,675	Audit and Finance	54,518
David Peters	18	33	3,745	Audit and Finance	78,844
Greg Pollesch	18	14	3,745	Audit and Finance	64,345
Dan Scheider	3	2	535	Audit and Finance	7,248
Kim Wedig	18	22	2,140	Compensation and Governance	50,721
Stephanie Wise	18	27	2,140	Compensation and Governance	70,052
Dan Zimmerman[2]	--	--	--		14,783
					$ 1,139,010

[1] Total compensation paid in 2022 includes total per diem compensation, monthly retainer fees, tax fringe benefits, and variable retainer fees earned during 2021 and paid in 2022.

[2] No longer on the Board as of December 31, 2021. Compensation paid during 2022 was for their variable retainer earned during 2021.

[3] No longer on the Board as of December 31, 2022.

Senior Officers

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

Name and Position	Business experience and other business affiliations
Rod Hebrink President and Chief Executive Officer	**Business experience:** President and Chief Executive Officer since July 2017 **Other business affiliations:** Board Member of SunStream Business Services, a technology and other business services provider Board Member of Farm Credit Foundations, a pension and benefits service provider Board Member of Minnesota AgriGrowth Council, a non-profit representing the agriculture and food industry President of Rural Funding, LLC, an LLC established to facilitate bond transactions with financial institutions Executive Council Member of MBOLD, a coalition supporting Minnesota food and agriculture initiatives
Jase Wagner Chief Financial Officer	**Business experience:** Chief Financial Officer since July 2017 **Other business affiliations:** Member: Farm Credit Foundations Pension Plan Trust Committee

Name and Position	Business experience and other business affiliations
Matt Ginder Chief Core Markets Officer	**Business experience:** Chief Core Markets Officer since July 2017 **Other business affiliations:** Trustee on the Village Board of Goodfield, IL, government
John Hemstock Chief Talent and Technology Officer	**Business experience:** Chief Talent and Technology Officer since July 2017
Terry Hinds Chief Asset Quality and Assurance Officer	**Business experience:** Chief Asset Quality and Assurance Officer since January 2020 Chief Risk Officer from July 2017 to December 2019 **Other business affiliations:** Board Member of Illinois Agri-Food Alliance, non-profit Committee Member of External Advisory Committee, University of Illinois Department of Agricultural and Consumer Economics
Paul Kohls Chief Lending Operations Officer and General Counsel	**Business experience:** Chief Lending Operations Officer and General Counsel since July 2017 **Other business affiliations:** Board Member of Farm Credit Captive Insurance Company, an insurance provider for Farm Credit System entities
John Monson Chief Mission and Marketing Officer	**Business experience:** Chief Mission and Marketing Officer since July 2017
Bill Moore Chief Risk Officer	**Business experience:** Chief Risk Officer since January 2020 Vice President Portfolio Risk Management from July 2017 to December 2019 **Other business affiliations:** Advisory Board Member of CrowdLustro LLC, an online equity crowdfunding marketplace
Jim Roberge Chief Diversified Markets Officer	**Business experience:** Chief Diversified Markets Officer since January 2022 Chief Diversified Markets Officer Elect from November 2021 to December 2021 Senior Vice President, Lending Operations of Farm Credit Services of America, ACA from March 2020 to October 2021 Senior Vice President, Commercial Lending of Farm Credit Services of America, ACA from March 2012 to February 2020 **Other business affiliations:** Board Member of The Center for Food Integrity, a non-profit focusing on helping the food system earn consumer trust
Jerry Wiese Chief Information Officer	**Business experience:** Chief Information Officer since July 2017

Effective January 1, 2023, Rod Hebrink retired and Jase Wagner became Compeer's new President and Chief Executive Officer. A search is currently underway for Compeer's new Chief Financial Officer.

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

Transactions with Senior Officers and Directors

Information regarding related party transactions is included in Note 12 to the Consolidated Financial Statements in this Annual Report.

Travel, Subsistence, and Other Related Expenses

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

2600 Jenny Wren Trail
Sun Prairie, WI 53590
(844) 426-6733
www.compeer.com

The total directors' travel, subsistence, and other related expenses were $330 thousand, $173 thousand, and $182 thousand in 2022, 2021, and 2020, respectively.

Involvement in Certain Legal Proceedings

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

Client Privacy

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

Relationship with Qualified Public Accountant

There were no changes in the independent auditors since the last Annual Report to stockholders and we are in agreement with the opinion expressed by the independent auditors. The total financial statement audit fees paid during 2022 were $545 thousand. Our engagement letter commits to reimbursing the external auditor for reasonable out-of-pocket expenses as incurred for travel. In addition, we incurred $9 thousand for tax compliance services. We also incurred $58 thousand for work related to our implementation of new accounting guidance, which was pre-approved by the Audit Committee.

Financial Statements

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

Young, Beginning, and Small Farmers and Ranchers

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

Equal Employment Opportunity

We are an equal opportunity employer. We are fully committed to and supportive of equal employment opportunity and diversity, and it's our belief all team members should be treated with dignity and respect. All human resource decisions and processes relating to Compeer team members and job applicants will be nondiscriminatory, conducted in an environment free of harassment or coercion, and without regard to race, color, sex, ancestry, creed, religion, national origin, age, disability status, marital status, familial status, sexual orientation, gender identity, pregnancy, public assistance status, current or former military member, genetic information, order of protection status, arrest and conviction record, use or non-use of lawful products, declining to attend a meeting about religious or political matters, or any other status protected by state or federal law. We are committed to recruiting, hiring, compensating, providing benefits, training, and promoting without regard to these factors.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

Compeer Financial, ACA
(Unaudited)

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

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

Young, Beginning, and Small (YBS) Farmer Demographics

Using the 2017 United States Department of Agriculture Ag census as the source for demographic data, there are approximately 123,000 farms in the Compeer Financial, ACA (Compeer) territory. Of those, 12.6% are young farmers, 24.6% are beginning farmers, and 81.3% are small farmers.

Mission Statement

Our YBS program is essential to our mission of enriching agriculture and rural America by making financing programs and financial services available to the YBS farmers who represent the future of agriculture in Illinois, Minnesota, and Wisconsin. Providing financing programs, financial services, educational opportunities and outreach programs to this segment helps ensure the next generation of farmers is successful.

2022 YBS (Groundbreakers) Highlights

Compeer's YBS (Groundbreakers) lending program consists of special loan pricing and flexible underwriting standards. Loan programs include:

- Special loan pricing – available to YBS farmers to be utilized within or without one of the following programs:
  - Starter loan program
  - Finish barn loan program
  - Broiler barn loan program
  - Character loan program

In addition to the lending program, a "Beginning with Compeer" grant program is also made available to beginning farmers within the Compeer territory. The third branch of the YBS program is education and outreach.

A key component of education and outreach is allowing for the direct input of YBS farmers to influence the program. An external advisory group is in place, which is made up of 20 clients throughout the Compeer territory. The Advisory Group met twice in-person in 2022 to discuss the program, changes and challenges facing the industry, and the specific needs of this market segment. The input from this group has helped steer the direction of the program and influenced educational opportunity decisions.

In addition to the client advisory group, there is also an internal Compeer committee tasked with overseeing the program. This committee is made up of a combination of Board members and team members across the organization to ensure the needs of the client are being considered from all angles. This committee meets quarterly and is also represented at the client advisory group meetings.

Additional aspects of education and outreach include our flagship YBS event, the Groundbreakers conference. This is a two-day conference that features exceptional speakers and educational topics on farm management, financial management, industry expertise, and other important topics affecting young, beginning, and small farmers. Various other educational opportunities are offered in the form of in-person events, webinars, and other content.

The program also has a strong emphasis on outreach to farmers operating in local and regional food systems ("Emerging Markets"), minority farmers, and military veterans who are becoming farmers after completing their military service.

Compeer is continuing its commitment to support rural youth in our territory through individual scholarships as well as sponsorships of 4-H, Future Farmers of America, Ag in the Classroom programs, farm conferences, and numerous other activities.

In addition, Compeer Financial takes full advantage of opportunities for coordinating credit and services offered with other Farm Credit System institutions in the territory and other governmental and private sources of credit who offer credit and services to those who qualify as YBS farmers and ranchers. Examples of this coordination include active utilization of the Farm Service Agency Guarantee Loan Program and the Rural Finance Authority Loan Participation Program.

Quantitative Goals

2022 Results

(dollars in millions)

	Total Number of Loans		Total Volume of Loans		Total Number of New Loans		Total Volume of New Loans	
	#	%	$	%	#	%	$	%
Young Farmers	16,862	21.4%	3,914	12.0%	5,089	19.2%	1,299	10.2%
Beginning Farmers	23,281	29.5%	6,234	19.1%	6,573	24.8%	1,938	15.2%
Small Farmers	34,992	44.3%	5,943	18.2%	10,678	40.3%	1,821	14.3%

2022 Actual vs. Goals

	Total Number of Loans		Total Volume of Loans		Total Number of New Loans		Total Volume of New Loans	
	Actual	Goal	Actual	Goal	Actual	Goal	Actual	Goal
Young Farmers	21.4%	20.5%	12.0%	14.4%	19.2%	18.5%	10.2%	11.5%
Beginning Farmers	29.5%	26.3%	19.1%	20.5%	24.8%	23.5%	15.2%	17.3%
Small Farmers	44.3%	44.8%	18.2%	19.3%	40.3%	42.0%	14.3%	14.5%

Safety and Soundness of Program

The Association’s Young, Beginning, and Small Farmer program has established standards and guidelines to provide for extension of sound and constructive credit, consistent with our business objectives. The program has also established lending limits for new loan extension under the program and should the Association’s credit quality fall below minimum guidelines, the program calls for the Board of Directors to review the program for changes or possible suspension. At this time the Association's credit quality is well above minimum guidelines outlined in the program.

FUNDS HELD PROGRAM

Compeer Financial, ACA

(Unaudited)

Purpose

Compeer Financial, ACA (the Association) offers a Funds Held Program (Funds Held) that provides certain borrowers with the opportunity to make advance payments on designated loans in compliance with the Farm Credit Administration (FCA) Regulation 614.4175.

Objective

The Association offers this program for the benefit and convenience of borrowers who desire to make advance payments.

The following terms and conditions apply to all Funds Held unless the loan agreement or related documents between the Association and client provide for other limitations. By opening or maintaining a Funds Held account, the client agrees to be bound by the program terms described herein, as they may be amended from time to time by the Association. The Association may change these terms and conditions at any time by providing prior notice to affected clients. The client may, at any time, terminate their agreement to maintain a Funds Held account by closing their account or by sending 30 days prior written notice, via certified mail, to the Association (in which case, the Association will close the account upon its receipt of the notice).

Advance Payment Application

Advance payments received on a loan participating in Funds Held before the loan has been billed will normally be placed in Funds Held as of the date received, to be applied against the next installment or other related charges on the installment due date. This is subject to any rights that we may have to apply such payments in a different manner as specified in loan documents governing designated loans.

Payments received on a loan participating in Funds Held after the loan has been billed will be directly applied to the installment due on the loan or other related charges and will not earn interest.

If a special prepayment of principal is desired, borrowers must so specify at the time funds are remitted.

Funds Held may not exceed the outstanding balance on the related loan(s), and may be limited by prepayment or other restrictions.

Interest on Funds Held

Interest will accrue on Funds Held at a rate determined by the Association, but the rate may never exceed the interest rate charged on the related loan. Interest on Funds Held (exclusive of funds applied directly to billed amounts) will normally accrue from the date of receipt of the funds until the date the funds are applied to the loan against an installment due or other related charges. The Association may change the interest rate from time to time, and may provide for a different interest rate for different categories of loans. If the Association changes the rate of interest, it will provide notice of the rate change by posting the new interest rate and the date of effectiveness on its website (currently at https://www.compeer.com/ag-financing/agriculture-business-services/cash-management-services) and it will additionally provide notice of the rate change in its next annual report. By opening or maintaining a Funds Held account, the client acknowledges and agrees: (1) to monitor the Association's website for rate changes; (2) that the client has been notified that rate change notices have been and will be published periodically on the Association's website; and (3) to accept periodic rate change notifications which are published on the website without the Association further notifying the client that the changes have been posted on its website. On November 1, 2022, Compeer changed the interest rate paid on advance payments in Funds Held to an administered floating rate set by the Association's Asset Liability Committee on the 1st of every month. The following table displays the rates paid throughout 2022:

Month	Rate Paid*
January - October	Bill Rate less 3.00%
November	4.00%
December	4.29%

*The Funds Held rate on any individual loan is capped at the respective loan's bill rate.

Withdrawal of Funds

Funds in a Funds Held account may be withdrawn or transferred, upon request, on one or more occasions by any party authorized to withdraw funds from the account for an eligible loan purpose in lieu of increasing the client's loan. Withdrawals from Funds Held is limited to 24 withdrawals per year. The minimum withdrawal amount is the lesser of $100 or the remaining balance. Upon death of a client who has Funds Held balances, the Association does not set up death beneficiaries or "payable on death" designations to distribute Funds Held balances.

Uninsured Account and Liquidation

Funds Held is not a depository account and is not insured. In the event of Association liquidation, all borrowers having funds in Funds Held shall be notified in accordance with FCA Regulation 627.2735. The notice shall advise that the funds ceased earning interest when the receivership was instituted, and the funds will be applied against the outstanding indebtedness of any loans of such borrower unless, within 15 days of such notice, the borrower directs the receiver to otherwise apply such funds in the manner provided for in existing loan documents.

Termination

If we terminate Funds Held, account balances will be applied to the loan balance, and any remaining excess funds will be refunded to the borrower.

COMPEER FINANCIAL

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Sun Prairie, WI 53590

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