Quarterly Report
March 31, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Compeer Financial, ACA (Compeer or Association) and its subsidiaries, Compeer Financial, FLCA and Compeer Financial, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2023 (2023 Annual Report).

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

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FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2023 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

Production agriculture (particularly the grain, dairy, and swine industry segments) comprises a significant portion of the overall Compeer portfolio. Continued elevation in cost structures, which are partially driven by inputs and interest rates, coupled with generally lower commodity prices, have limited forecasted profitability across several portfolio segments. While the margin outlook remains generally less favorable than that of recent years, most producers' financial positions maintain the ability to withstand near-term weakness. Those practicing sound risk management are likely to remain near breakeven levels for 2024.

Markets have largely flattened over the past several months as demand levels across major commodities slowly recover. Strong commodity inventory levels, coupled with elevated costs, have produced significant headwinds to profitability across several commodity segments when compared to pre-2023 performance. Market action remains largely supply/demand driven; however, geopolitical concerns remain. The March 2024 United States Department of Agriculture (USDA) Prospective Plantings report estimates corn intentions of 90 million acres, down 5% from the 2023 crop. Soybean intentions are 86.5 million acres, up 3% from 2023. In total, the Illinois expectation is for 145,000 fewer planted acres across all commodities in 2024 than 2023, with 118,000 fewer in Minnesota and 12 thousand fewer in Wisconsin. Revenue insurance guarantees for the crop were set in February 2024 with average prices of $4.66 per bushel for corn and $11.55 per bushel for soybeans. These values are roughly 30% below 2023 prices, which results in greater emphasis for producers to execute on 2024 crop marketing plans to manage margins.

In its April 2024 World Agricultural Supply and Demand Estimate (WASDE) report, the USDA moved expected corn ending stocks down by 50 million bushels due to increased feed and ethanol usage. The production forecast remains at 15,342 million bushels, 1,692 million bushels above the 2022/23 crop. Ethanol and feed usage are both expected to increase 25 million bushels. Despite the slight contraction in expected ending stocks, the USDA decreased the forecasted annual average farm price by $0.05 to $4.70 per bushel of corn. Additionally, USDA expects slightly reduced soybean usage, largely driven by residual and export volumes. Export demand was lower by 20 million bushels with residual usage down 9 million. Overall, ending stocks are expected to be 340 million bushels, a 35 million bushel increase from March 2023. The resulting forecasted season average price decreased slightly to $12.55 per bushel of soybeans.

The March 2024 USDA Milk Production report estimates a 2.2% annual U.S. production increase, driven by a 60-pound increase per cow. This offsets a year-over-year decline in the number of milk cows. As a result, the April 2024 WASDE report forecasts a weaker 2024 Class III (cheese) annual average price of $16.20 per hundredweight (cwt) produced, based on lower expected cheese and whey demand. Class IV (butter/whey/dry products) prices strengthen to $20.40 per cwt based on strength in butter demand, which offsets a lower milk powder forecast. All-milk price is forecast at $20.90 per cwt, compared to $20.48 per cwt in 2023 and $25.34 per cwt in 2022. Expected continuation of strong production, coupled with variable product demand, suggests limited price upside potential over the near term.

U.S. pork production, as reported in the March 2024 USDA Hogs and Pigs report, consisted of 74.6 million head, a 1% increase from the same period in 2023. A similar increase in market hogs drove overall production upward, despite a 2% contraction in breeding inventory. In forecasting the March-to-May 2024 quarter, the USDA expects farrowing of 2.92 million sows, which is down 1% from year-ago levels. Iowa State University tracks monthly estimated returns for farrow-to-finish operations. Thus far, the 2024 reports have shown negative margins, continuing the negative trend experienced throughout much of 2023. The USDA expects stronger demand to increase prices throughout the year, potentially yielding positive margins in the near term.

In February, the USDA provided its 2024 net farm income forecast of $116.1 billion, a decrease of $39.8 billion from 2023. Estimated net cash income for 2024 is $121.7 billion, a decrease of $38.7 billion year-over-year. Assumed decreases in both crop and livestock receipts drive a $21.2 billion decrease in agricultural commodity receipts, and government payments are forecasted to decline by 16%. Elevated expenses across all categories, including housing and labor cost increases, drove a production expense increase of $16.7 billion.

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 most recent U.S. Bureau of Labor Statistics unemployment rate of 3.8% continues a trend of labor supply tightness. The strong labor market continues to benefit from a steady demand environment. As such, the Compeer housing portfolio continues to perform. While the quality of the portfolio remains sound, elevated mortgage rates, as a result of the Federal Reserve maintaining a steady Federal Funds rate, have slowed the market.

The portfolio continues to experience relatively low delinquencies and is navigating this period from a position of sound credit quality. Several core portfolio industries have experienced significant improvement in overall conditions over the last few years, creating generally solid financial positions. 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

Loans Held to Maturity

Loans held to maturity were $28.6 billion at March 31, 2024, an increase of $344.7 million from December 31, 2023. Both real estate mortgage and agribusiness loan growth were broad-based across many of our business units, led by our Capital Markets unit with the largest increase. The overall quarterly growth was partially offset by production and intermediate-term loan decreases within our Swine business unit. These production and intermediate-term loan decreases are typical during the first quarter of the year, as producers pay down loans that were advanced on as part of the previous year-end's tax planning strategies.

Portfolio Credit Quality

The credit quality of our portfolio declined slightly from December 31, 2023. Adversely classified loans increased to 2.6% of the portfolio at March 31, 2024, from 2.5% of the portfolio at December 31, 2023. 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 credit losses on loans.

In certain circumstances, the Federal Agricultural Mortgage Corporation (Farmer Mac) and other government agency guarantee programs are used to reduce the risk of loss. At March 31, 2024, $1.3 billion of our loans were substantially guaranteed under these government programs.

Nonperforming Assets

Components of Nonperforming Assets

(dollars in thousands) As of:	**March 31, 2024**	December 31, 2023
Loans:		
Nonaccrual	**$ 229,019**	$ 207,702
Accruing loans 90 days or more past due	**25,008**	32,335
Total nonperforming loans	**254,027**	240,037
Other property owned	**1,132**	1,132
Total nonperforming assets	**$ 255,159**	$ 241,169
Total nonperforming loans as a percentage of total loans	**0.9%**	0.8%
Nonaccrual loans as a percentage of total loans	**0.8%**	0.7%
Current nonaccrual loans as a percentage of total nonaccrual loans	**42.8%**	64.4%
Total delinquencies as a percentage of total loans[1]	**1.3%**	0.9%

[1]Total delinquencies include accrual and nonaccrual loans 30 days or more past due.

Our nonperforming assets have increased from December 31, 2023, but remained at acceptable levels. Despite the increase in nonperforming assets, total nonperforming loans as a percentage of total loans were well within our established risk management guidelines.

While the portfolio's overall credit quality continued on an upward trend throughout the approximate five-year period ending in 2022, credit quality deterioration throughout 2023 returned us to levels previously experienced prior to that five-year period. The challenges and resulting stress and losses experienced during 2023 within isolated industries and loans continued into the first quarter of 2024, reflected in the increase in nonaccrual loans, as well as in the increase in total delinquencies as a percentage of total loans. We expect this stress to continue during the second quarter of 2024 as operating lines mature, which will result in additional increases in adversely classified and nonaccrual loans.

Similar to 2023, the movement of loans into nonaccrual status during the first quarter of 2024 continued to be isolated and attributed to a mostly limited number of loans, driven primarily by a small number of loans from within our Capital Markets business unit being transferred to nonaccrual status. Those nonaccrual increases were partially offset by a limited number of swine loans (from within our Industry Specialists business unit) being returned to accrual status. Even with this upward trend, nonaccrual loans remained at acceptable levels at both March 31, 2024, and December 31, 2023.

The increase in total delinquencies as a percentage of total loans during the first quarter of 2024 is a result of the increases in nonaccrual loans, as well as general upward movement in the number of loans 30-89 days past due.

The decrease in accruing loans 90 days or more past due was due to a very limited number of loans that were past due 90 days or more at December 31, 2023, being paid off. Included in this figure are a small number of bond investments we purchased under our mission related investment authority, which are fully guaranteed under government programs. 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 March 31, 2024, and December 31, 2023, were adequately secured and in the process of collection, and as a result, were eligible to remain in accruing status.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans is an estimate of expected credit losses in our portfolio. We determine the appropriate level of allowance for credit losses on loans based on a disciplined process and methodology that incorporates expected probabilities of default and loss given default based on historical portfolio performance, forecasts of future economic conditions, and management's judgment with respect to unique aspects of current and expected conditions that may not be contemplated in historical loss experience or forecasted economic conditions.

The required level of allowance for credit losses on loans is adjusted through the provision for credit losses expense. Provision for credit losses expense and loan recoveries increase the allowance, while reversals of provision for credit losses expense and loan charge-offs decrease the allowance. See the Provision for Credit Losses sub-section (within the Results of Operations section) for a discussion on the impact that the increases in the allowance for credit losses on loans had on the provision for credit losses expense during 2024.

Allowance for Credit Losses on Loans Coverage Ratios

As of:	**March 31, 2024**	December 31, 2023
Allowance for credit losses on loans as a percentage of:		
Loans	**0.3%**	0.3%
Nonaccrual loans	**35.2%**	36.4%
Total nonperforming loans	**31.8%**	31.5%

The total allowance for credit losses on loans was $80.7 million at March 31, 2024, and $75.6 million at December 31, 2023. The increase from December 31, 2023, was primarily related to higher specific reserves required on a limited number of loans being transferred to nonaccrual status. As the credit quality of those loans decreased, their respective allowance for credit losses on loans increased. These increases were partially offset by decreases to the allowance for credit losses driven by improvements in the forecasts of real estate values, as well as loan recoveries. We anticipate additional increases to the allowance for credit losses during the second quarter of 2024 as our levels of adversely classified loans follow our current delinquency trends.

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. 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 $17.1 million through March 31, 2024, compared to $8.8 million for the same period in 2023. As of March 31, 2024, we had loans held for sale of $7.3 million, compared to $16.1 million as of December 31, 2023.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the three months ended March 31,	**2024**	2023
Net income	**$ 149,456**	$ 121,137
Return on average assets	**1.9%**	1.6%
Return on average equity	**12.1%**	10.2%

Changes presented in the profitability information table relate directly to:

- Changes in net income discussed in this section
- Changes in assets discussed in the Loans Held to Maturity and Loans Held for Sale sections
- Changes in capital discussed in the Funding, Liquidity, and Capital section

Changes in Significant Components of Net Income

(in thousands) For the three months ended March 31,	2024	2023	Increase (decrease) in net income
Net interest income	$ 189,040	$ 172,051	$ 16,989
Provision for credit losses	3,295	27,651	24,356
Non-interest income	66,927	80,926	(13,999)
Non-interest expense	98,148	97,686	(462)
Provision for income taxes	5,068	6,503	1,435
Net income	$ 149,456	$ 121,137	$ 28,319

Net Interest Income

Changes in Net Interest Income

(in thousands) For the three months ended March 31,	2024 vs 2023
Changes in volume	$ 8,058
Changes in interest rates	9,731
Changes in asset securitization	39
Changes in nonaccrual interest income and other	(839)
Net change	$ 16,989

Provision for Credit Losses

The "Provision for credit losses" in the Consolidated Statements of Comprehensive Income includes a provision for credit losses on loans as well as a reversal of credit losses on unfunded commitments. The provision for credit losses on loans for the three months ended March 31, 2024, is based upon the calculated change in the allowance for credit losses on loans during the quarter. See the Allowance for Credit Losses on Loans sub-section (in the Loans Held to Maturity section) for a discussion of the various factors contributing to the change in the allowance for credit losses on loans, which included deteriorating credit quality on a limited number of loans, offset by loan recoveries and improvement in forecasted real estate values. As we move through the remainder of 2024, we anticipate our levels of adversely classified loans to follow our current delinquency trends, which may result in additional provision for credit losses expense to fund the expected additional allowance for credit losses on loans.

Non-Interest Income

The change in non-interest income was primarily due to patronage income. We may receive patronage from AgriBank and other Farm Credit institutions. Patronage distributions from AgriBank and other Farm Credit institutions are declared solely at the discretion of each institution's Board of Directors. AgriBank may distribute patronage in the form of cash or stock. All other patronage from other Farm Credit institutions is typically distributed in cash.

Patronage Income

(in thousands) For the three months ended March 31,	2024	2023
Patronage from AgriBank	$ 32,523	$ 46,313
AgDirect partnership distribution	1,436	1,386
Other patronage	546	71
Total patronage income	$ 34,505	$ 47,770

Patronage from AgriBank primarily includes wholesale patronage and asset pool program patronage. The decrease in patronage income was primarily due to the wholesale patronage income received from AgriBank being at a lower rate during the first quarter of 2024 compared to the same period of 2023.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable is scheduled to mature on September 30, 2025. We intend to renegotiate the note payable no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. However, we maintain some exposure to interest rates, primarily from loans to customers which may not have a component of our line of credit with an exact repricing attribute. 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.

The components of cost of funds associated with our note payable 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

We were not subject to a risk premium at March 31, 2024, or December 31, 2023.

Total equity increased $104.6 million from December 31, 2023, primarily due to net income for the period partially offset by patronage distribution accruals.

The Farm Credit Administration (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. Refer to Note 9 in our 2023 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	**March 31, 2024**	December 31, 2023	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**12.2%**	12.6%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**12.6%**	13.1%	6.0%	2.5%	8.5%
Total capital ratio	**13.5%**	14.1%	8.0%	2.5%	10.5%
Permanent capital ratio	**13.3%**	13.9%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**12.5%**	13.1%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**11.6%**	11.9%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loans Held to Maturity section, and off-balance sheet commitments, as disclosed in Note 13 in our 2023 Annual Report.

CERTIFICATION

The undersigned have reviewed the March 31, 2024, Quarterly Report of Compeer Financial, ACA, which has been prepared under the oversight of the Audit Committee and 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.

Stephanie Wise
Chairperson of the Board
Compeer Financial, ACA

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

Betsy Horton
Chief Financial Officer
Compeer Financial, ACA

May 7, 2024

CONSOLIDATED STATEMENTS OF CONDITION

Compeer Financial, ACA
(in thousands)

As of:	March 31, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
Loans held to maturity	**$ 28,618,222**	$ 28,273,503
Allowance for credit losses on loans	**80,661**	75,630
Net loans held to maturity	**28,537,561**	28,197,873
Loans held for sale	**7,266**	16,091
Net loans	**28,544,827**	28,213,964
Cash	**2,400**	2,400
Investment securities	**1,668,915**	1,592,685
Assets held for lease, net	**146,119**	147,826
Accrued interest receivable	**310,116**	311,492
Investment in AgriBank, FCB	**1,082,472**	1,103,132
Premises and equipment, net	**115,725**	108,965
Other assets	**385,423**	419,583
Total assets	**$ 32,255,997**	$ 31,900,047
LIABILITIES		
Note payable to AgriBank, FCB	**$ 26,417,554**	$ 26,133,298
Subordinated debt	**200,000**	200,000
Accrued interest payable	**254,322**	242,969
Deferred tax liabilities, net	**57,980**	64,210
Patronage distribution payable	**177,507**	197,009
Other liabilities	**178,490**	196,985
Total liabilities	**27,285,853**	27,034,471
Contingencies and commitments (Note 4)		
EQUITY		
Preferred stock	**100,000**	100,000
Capital stock and participation certificates	**49,114**	47,280
Capital stock and participation certificates receivable	**(37,235)**	(34,078)
Additional paid-in capital	**1,780,603**	1,780,603
Allocated surplus	**162,843**	162,937
Unallocated surplus	**2,921,941**	2,816,109
Accumulated other comprehensive loss	**(7,122)**	(7,275)
Total equity	**4,970,144**	4,865,576
Total liabilities and equity	**$ 32,255,997**	$ 31,900,047

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Compeer Financial, ACA
(in thousands)
(Unaudited)

	Three Months Ended			
For the period ended March 31,		**2024**		2023
Interest income	**$**	**443,567**	$	368,115
Interest expense		**254,527**		196,064
Net interest income		**189,040**		172,051
Provision for credit losses		**3,295**		27,651
Net interest income after provision for credit losses		**185,745**		144,400
Non-interest income				
Patronage income		**34,505**		47,770
Net operating lease income		**3,030**		2,239
Financially related services income		**14,549**		15,575
Fee and other non-interest income		**14,843**		15,342
Total non-interest income		**66,927**		80,926
Non-interest expense				
Salaries and employee benefits		**63,696**		60,773
Farm Credit System insurance		**6,243**		10,318
Other operating expense		**27,686**		25,242
Other non-interest expense		**523**		1,353
Total non-interest expense		**98,148**		97,686
Income before income taxes		**154,524**		127,640
Provision for income taxes		**5,068**		6,503
Net income	**$**	**149,456**	$	121,137
Other comprehensive income				
Employee benefit plans activity	**$**	**153**	$	996
Total other comprehensive income		**153**		996
Comprehensive income	**$**	**149,609**	$	122,133

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Compeer Financial, ACA
(in thousands)
(Unaudited)

	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 at December 31, 2022	$ 200,000	$ 19,633	$ 1,780,603	$ 215,380	$ 2,487,557	$ (11,424)	$ 4,691,749
Cumulative effect of change in accounting principle	--	--	--	--	7,343	--	7,343
Net income	--	--	--	--	121,137	--	121,137
Other comprehensive income	--	--	--	--	--	996	996
Redemption of prior year allocated patronage	--	--	--	(42)	7	--	(35)
Preferred stock dividend	--	--	--	--	(2,906)	--	(2,906)
Other distributions	--	--	--	--	(2,430)	--	(2,430)
Unallocated surplus designated for patronage distributions	--	--	--	--	(37,500)	--	(37,500)
Capital stock and participation certificates issued	--	3,180	--	--	--	--	3,180
Capital stock and participation certificates retired	--	(823)	--	--	--	--	(823)
Additions to capital stock and participation certificates receivable, net	--	(4,947)	--	--	--	--	(4,947)
Balance at March 31, 2023	$ 200,000	$ 17,043	$ 1,780,603	$ 215,338	$ 2,573,208	$ (10,428)	$ 4,775,764
Balance at December 31, 2023	$ 100,000	$ 13,202	$ 1,780,603	$ 162,937	$ 2,816,109	$ (7,275)	$ 4,865,576
Cumulative effect of change in accounting principle	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Net income	**--**	**--**	**--**	**--**	**149,456**	**--**	**149,456**
Other comprehensive income	**--**	**--**	**--**	**--**	**--**	**153**	**153**
Redemption of prior year allocated patronage	**--**	**--**	**--**	**(94)**	**14**	**--**	**(80)**
Preferred stock dividend	**--**	**--**	**--**	**--**	**(1,219)**	**--**	**(1,219)**
Other distributions	**--**	**--**	**--**	**--**	**(3,250)**	**--**	**(3,250)**
Unallocated surplus designated for patronage distributions	**--**	**--**	**--**	**--**	**(39,169)**	**--**	**(39,169)**
Capital stock and participation certificates issued	**--**	**2,526**	**--**	**--**	**--**	**--**	**2,526**
Capital stock and participation certificates retired	**--**	**(692)**	**--**	**--**	**--**	**--**	**(692)**
Additions to capital stock and participation certificates receivable, net	**--**	**(3,157)**	**--**	**--**	**--**	**--**	**(3,157)**
Balance at March 31, 2024	**$ 100,000**	**$ 11,879**	**$ 1,780,603**	**$ 162,843**	**$ 2,921,941**	**$ (7,122)**	**$ 4,970,144**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim financial information and conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the three months ended March 31, 2024, are not necessarily indicative of the results to be expected for the year ending December 31, 2024. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2023 (2023 Annual Report).

Principles of Consolidation

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

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 November 2023, the FASB issued Accounting Standards Update (ASU) 2023-07 “Segment Reporting (Topic 820): Improvements to Reportable Segment Disclosures.” This guidance is effective for public entities for fiscal years beginning after December 31, 2023, and interim periods within fiscal years beginning after December 15, 2024. The guidance must be retroactively applied to all prior periods presented and early adoption is permitted; however, we do not intend to early adopt.	The standard requires enhanced disclosures related to the revenues, expenses, and assets of reportable segments. It also requires disclosure of the title and position of the chief operating decision maker and relevant metrics used to evaluate reportable segments. Even if a public entity has a single reportable segment, it is required to present all disclosures set forth in the standards and all existing segment disclosures.	We expect to adopt the standard for our fiscal year ending December 31, 2024. We are currently assessing the impact of this standard on our disclosures. The standard is not expected to have a material impact on our financial statements.
In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures.” This guidance is effective for public business entities for annual periods beginning after December 15, 2024.	This guidance requires more transparency about income tax information through improvements to income tax disclosures. The improvements applicable to our Association will require adding percentages and information by state jurisdiction to the rate reconciliation and income taxes paid disclosures.	We expect to adopt the standard as of January 1, 2025. The adoption of this guidance is not expected to have a material impact on our financial statements, but will modify certain disclosures.

NOTE 2: LOANS HELD TO MATURITY AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

Throughout Note 2 accrued interest receivable on loans of $290.9 million at March 31, 2024, and $290.8 million at December 31, 2023, has been excluded from the amortized cost of loans and is presented in “Accrued interest receivable” in the Consolidated Statements of Condition.

Loans by Type

(dollars in thousands)

As of:	**March 31, 2024**		December 31, 2023	
	Amortized Cost	%	Amortized Cost	%
Real estate mortgage	**$ 14,671,357**	**51.3%**	$ 14,413,534	51.0%
Production and intermediate-term	**4,491,981**	**15.7%**	4,809,634	17.0%
Agribusiness	**6,077,865**	**21.2%**	5,758,154	20.4%
Other	**3,377,019**	**11.8%**	3,292,181	11.6%
Total	**$ 28,618,222**	**100.0%**	$ 28,273,503	100.0%

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

Credit Quality

Credit risk arises from the potential inability of a borrower to meet its payment obligation and exists in our outstanding loans, letters of credit, and unfunded loan commitments. We manage credit risk associated with our lending activities through an analysis of the credit risk profile of an individual borrower based on management established underwriting standards and board approved lending policies. The evaluation of the borrower's credit risk profile may include analysis of several factors including, but not limited to, credit history, repayment capacity, financial position, and collateral. Real estate mortgage loans must be secured by first liens on the real estate. As required by the Farm Credit Administration (FCA) Regulations, each institution that makes loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85% of the original appraised value of the property taken as security or up to 97% of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

We use a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing loss given default. Probability of default is our assumption of the probability that a borrower will experience a default during the life of the loan. The loss given default is our assumption as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified as nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship. We review the probability of default category on at least an annual basis, or when a credit action is taken.

We utilize the FCA Uniform Classification System, which categorizes loans into five credit quality categories, based on their assigned probability of default rating. The categories are:

- Acceptable – loans are non-criticized loans representing the highest quality. They are expected to be fully collectible. This category is made up of the first nine probability of default ratings (ratings one through nine).
- 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 March 31, 2024, or December 31, 2023.

Each of the 14 probability of default rating categories carries a distinct percentage of default probability. The range between the probability of default percentages of ratings one through nine (all categorized as acceptable) is very narrow and would reflect almost no default to a minimal default probability. The probability of default rate grows more rapidly as a loan moves from the acceptable category to special mention, and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain.

Credit Quality of Loans as a Percentage of Total Loans

As of March 31, 2024	Acceptable	Special Mention	Substandard/ Doubtful	Total
Real estate mortgage	**95.9%**	**1.6%**	**2.5%**	**100.0%**
Production and intermediate-term	**93.9%**	**2.6%**	**3.5%**	**100.0%**
Agribusiness	**93.9%**	**2.9%**	**3.2%**	**100.0%**
Other	**97.2%**	**2.0%**	**0.8%**	**100.0%**
Total	**95.3%**	**2.1%**	**2.6%**	**100.0%**

As of December 31, 2023	Acceptable	Special Mention	Substandard/ Doubtful	Total
Real estate mortgage	96.6%	1.1%	2.3%	100.0%
Production and intermediate-term	95.0%	1.6%	3.4%	100.0%
Agribusiness	94.1%	2.5%	3.4%	100.0%
Other	96.5%	2.8%	0.7%	100.0%
Total	95.8%	1.7%	2.5%	100.0%

Credit Quality and Origination Year of Loans

(in thousands)	Term Loans by Origination Year							Revolving Loans	
Amortized Cost as of March 31, 2024	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Real estate mortgage									
Acceptable	$ 612,394	$ 1,830,262	$ 1,725,372	$ 2,457,826	$ 2,347,541	$ 4,764,287	$ 315,592	$ 19,252	$ 14,072,526
Special mention	4,411	18,293	13,665	49,902	21,077	104,591	20,819	--	232,758
Substandard/doubtful	118	6,613	77,168	83,137	48,451	122,900	25,634	2,052	366,073
Total real estate mortgage	$ 616,923	$ 1,855,168	$ 1,816,205	$ 2,590,865	$ 2,417,069	$ 4,991,778	$ 362,045	$ 21,304	$ 14,671,357
Production and intermediate-term									
Acceptable	$ 208,947	$ 702,182	$ 476,690	$ 279,499	$ 180,244	$ 186,498	$ 2,180,104	$ 4,734	$ 4,218,898
Special mention	8,185	19,189	1,837	3,058	1,795	1,154	80,549	106	115,873
Substandard/doubtful	4,278	17,600	8,785	3,188	11,214	12,534	82,806	16,805	157,210
Total production and intermediate-term	$ 221,410	$ 738,971	$ 487,312	$ 285,745	$ 193,253	$ 200,186	$ 2,343,459	$ 21,645	$ 4,491,981
Agribusiness									
Acceptable	$ 217,345	$ 880,072	$ 1,099,783	$ 618,734	$ 361,227	$ 878,965	$ 1,642,741	$ 5,283	$ 5,704,150
Special mention	--	614	13,888	69,794	28,487	3,078	51,176	10,350	177,387
Substandard/doubtful	--	3,318	29,677	55,610	16,980	35,670	54,223	850	196,328
Total agribusiness	$ 217,345	$ 884,004	$ 1,143,348	$ 744,138	$ 406,694	$ 917,713	$ 1,748,140	$ 16,483	$ 6,077,865
Other									
Acceptable	$ 145,726	$ 1,016,036	$ 729,351	$ 408,199	$ 232,589	$ 676,573	$ 71,014	$ 2,614	$ 3,282,102
Special mention	6,103	5,838	1,877	9,864	26,465	14,350	4,079	--	68,576
Substandard/doubtful	2,194	3,345	10,871	1,321	613	6,480	1,517	--	26,341
Total other	$ 154,023	$ 1,025,219	$ 742,099	$ 419,384	$ 259,667	$ 697,403	$ 76,610	$ 2,614	$ 3,377,019
Total									
Acceptable	$ 1,184,412	$ 4,428,552	$ 4,031,196	$ 3,764,258	$ 3,121,601	$ 6,506,323	$ 4,209,451	$ 31,883	$ 27,277,676
Special mention	18,699	43,934	31,267	132,618	77,824	123,173	156,623	10,456	594,594
Substandard/doubtful	6,590	30,876	126,501	143,256	77,258	177,584	164,180	19,707	745,952
Total	$ 1,209,701	$ 4,503,362	$ 4,188,964	$ 4,040,132	$ 3,276,683	$ 6,807,080	$ 4,530,254	$ 62,046	$ 28,618,222
Charge-offs for the Three Months Ended March 31, 2024									
Real estate mortgage	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Production and intermediate-term	--	12	--	--	--	--	26	1	39
Agribusiness	--	--	--	--	--	--	3	2	5
Other	--	--	--	34	--	41	--	--	75
Total	$ --	$ 12	$ --	$ 34	$ --	$ 41	$ 29	$ 3	$ 119

Amortized Cost as of December 31, 2023	Term Loans by Origination Year 2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Real estate mortgage									
Acceptable	$ 1,905,549	$ 1,787,748	$ 2,516,003	$ 2,403,502	$ 878,388	$ 4,101,303	$ 308,895	$ 20,074	$ 13,921,462
Special mention	7,175	3,582	46,669	18,409	5,842	60,645	15,699	--	158,021
Substandard/doubtful	5,015	66,044	76,304	41,228	35,186	82,727	25,495	2,052	334,051
Total real estate mortgage	$ 1,917,739	$ 1,857,374	$ 2,638,976	$ 2,463,139	$ 919,416	$ 4,244,675	$ 350,089	$ 22,126	$ 14,413,534
Production and intermediate-term									
Acceptable	$ 784,899	$ 483,139	$ 308,217	$ 201,894	$ 71,723	$ 131,645	$ 2,582,187	$ 5,577	$ 4,569,281
Special mention	16,629	2,507	3,570	2,601	1,333	524	49,685	26	76,875
Substandard/doubtful	17,879	42,643	4,686	12,320	7,795	5,051	65,147	7,957	163,478
Total production and intermediate-term	$ 819,407	$ 528,289	$ 316,473	$ 216,815	$ 80,851	$ 137,220	$ 2,697,019	$ 13,560	$ 4,809,634
Agribusiness									
Acceptable	$ 860,814	$ 1,115,235	$ 667,863	$ 362,188	$ 217,908	$ 681,232	$ 1,510,568	$ 5,210	$ 5,421,018
Special mention	--	13,797	55,813	21,487	--	3,168	37,041	10,350	141,656
Substandard/doubtful	2,060	33,868	49,717	17,961	26,215	14,299	50,531	829	195,480
Total agribusiness	$ 862,874	$ 1,162,900	$ 773,393	$ 401,636	$ 244,123	$ 698,699	$ 1,598,140	$ 16,389	$ 5,758,154
Other									
Acceptable	$ 981,597	$ 737,971	$ 437,961	$ 236,411	$ 133,253	$ 574,478	$ 75,796	$ 2,623	$ 3,180,090
Special mention	2,948	711	9,708	45,231	87	30,454	1,466	--	90,605
Substandard/doubtful	3,751	10,959	1,195	559	389	2,323	2,310	--	21,486
Total other	$ 988,296	$ 749,641	$ 448,864	$ 282,201	$ 133,729	$ 607,255	$ 79,572	$ 2,623	$ 3,292,181
Total									
Acceptable	$ 4,532,859	$ 4,124,093	$ 3,930,044	$ 3,203,995	$ 1,301,272	$ 5,488,658	$ 4,477,446	$ 33,484	$ 27,091,851
Special mention	26,752	20,597	115,760	87,728	7,262	94,791	103,891	10,376	467,157
Substandard/doubtful	28,705	153,514	131,902	72,068	69,585	104,400	143,483	10,838	714,495
Total	$ 4,588,316	$ 4,298,204	$ 4,177,706	$ 3,363,791	$ 1,378,119	$ 5,687,849	$ 4,724,820	$ 54,698	$ 28,273,503
Charge-offs for the Three Months Ended March 31, 2023									
Real estate mortgage	$ 20	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ 20
Production and intermediate-term	--	191	--	77	--	492	40	--	800
Other	--	--	--	--	603	--	--	--	603
Total	$ 20	$ 191	$ --	$ 77	$ 603	$ 492	$ 40	$ --	$ 1,423

Delinquency

Aging Analysis of Loans at Amortized Cost

(in thousands) **As of March 31, 2024**	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	**$ 87,317**	**$ 38,989**	**$ 126,306**	**$ 14,545,051**	**$ 14,671,357**	**$ --**
Production and intermediate-term	**117,908**	**25,983**	**143,891**	**4,348,090**	**4,491,981**	**162**
Agribusiness	**10,129**	**52,307**	**62,436**	**6,015,429**	**6,077,865**	**--**
Other	**4,348**	**26,429**	**30,777**	**3,346,242**	**3,377,019**	**24,846**
Total	**$ 219,702**	**$ 143,708**	**$ 363,410**	**$ 28,254,812**	**$ 28,618,222**	**$ 25,008**

As of December 31, 2023	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	$ 111,561	$ 19,183	$ 130,744	$ 14,282,790	$ 14,413,534	$ --
Production and intermediate-term	36,962	25,126	62,088	4,747,546	4,809,634	1,461
Agribusiness	10,903	22,759	33,662	5,724,492	5,758,154	--
Other	3,261	32,444	35,705	3,256,476	3,292,181	30,874
Total	$ 162,687	$ 99,512	$ 262,199	$ 28,011,304	$ 28,273,503	$ 32,335

Nonaccrual Loans

Nonaccrual Loans Information

(in thousands)	As of March 31, 2024 Amortized Cost	As of March 31, 2024 Amortized Cost Without Allowance	For the Three Months Ended March 31, 2024 Interest Income Recognized
Nonaccrual loans:			
Real estate mortgage	**$ 108,733**	**$ 75,607**	**$ 369**
Production and intermediate-term	**38,448**	**13,582**	**694**
Agribusiness	**74,997**	**3,615**	**--**
Other	**6,841**	**2,097**	**8**
Total	**$ 229,019**	**$ 94,901**	**$ 1,071**

	As of December 31, 2023 Amortized Cost	As of December 31, 2023 Amortized Cost Without Allowance	For the Three Months Ended March 31, 2023 Interest Income Recognized
Nonaccrual loans:			
Real estate mortgage	$ 96,298	$ 62,919	$ 1,563
Production and intermediate-term	50,546	26,709	739
Agribusiness	54,289	1,622	--
Other	6,569	1,769	11
Total	$ 207,702	$ 93,019	$ 2,313

Reversals of interest income on loans that transferred to nonaccrual status were $308 thousand and $2.3 million for the three months ended March 31, 2024, and 2023, respectively.

Loan Modifications Granted to Borrowers Experiencing Financial Difficulty

Included within our loans are loan modifications; some of which are granted to borrowers experiencing financial difficulty. Modifications are one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant term extension, or other-than-insignificant payment deferrals. Principal forgiveness may relate to loans charged-off in prior periods. Other-than-insignificant term extensions are defined as those greater than or equal to six months. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Other-than-insignificant payment deferrals are defined as cumulative or individual payment delays greater than or equal to six months.

Loan Modifications at Amortized Cost[1]

(dollars in thousands) **For the three months ended March 31, 2024**	Interest Rate Reduction	Term Extension	Payment Deferral	Combination - Term Extension and Payment Deferral	Total	Percentage of Total Loans
Real estate mortgage	**$ --**	**$ 1,264**	**$ 1,384**	**$ --**	**$ 2,648**	**0.0%**
Production and intermediate-term	**--**	**28,032**	**31**	**136**	**28,199**	**0.1%**
Agribusiness	**--**	**715**	**--**	**--**	**715**	**0.0%**
Total	**$ --**	**$ 30,011**	**$ 1,415**	**$ 136**	**$ 31,562**	**0.1%**
Loan modifications granted as a percentage of total loans	**--**	**0.1%**	**0.0%**	**0.0%**	**0.1%**	

For the three months ended March 31, 2023	Interest Rate Reduction	Term Extension	Payment Deferral	Combination - Term Extension and Payment Deferral	Total	Percentage of Total Loans
Real estate mortgage	$ 926	$ 48	$ --	$ --	$ 974	0.0%
Production and intermediate-term	112	4,639	--	--	4,751	0.0%
Agribusiness	--	16,334	--	--	16,334	0.1%
Total	$ 1,038	$ 21,021	$ --	$ --	$ 22,059	0.1%
Loan modifications granted as a percentage of total loans	0.0%	0.1%	--	--	0.1%	

[1]Excludes loans that were modified during the period, but were paid off or sold prior to period end.

Financial Effect of Loan Modifications

For the three months ended March 31, 2024	Weighted Average Interest Rate Reduction	Weighted Average Term Extension (months)	Weighted Average Payment Deferral (months)	Principal Forgiveness ($ in thousands)
Real estate mortgage				
Term extension		**63**		
Payment deferral			**11**	
Production and intermediate-term				
Term extension		**5**		
Payment deferral			**3**	
Principal forgiveness				**64**
Combination - term extension and payment deferral		**5**	**3**	
Agribusiness				
Term extension		**125**		
Principal forgiveness				**35,340**
Other				
Principal forgiveness				**53**

For the three months ended March 31, 2023	Weighted Average Interest Rate Reduction	Weighted Average Term Extension (months)	Weighted Average Payment Deferral (months)	Principal Forgiveness ($ in thousands)
Real estate mortgage				
Interest rate reduction	0.4%			
Term extension		3		
Production and intermediate-term				
Interest rate reduction	0.5%			
Term extension		5		
Principal forgiveness				589
Agribusiness				
Term extension		11		

The following table presents the amortized cost of loans to borrowers experiencing financial difficulty that defaulted during the three months ended March 31, 2024, and were modified in the twelve months before default. There were no loans to borrowers experiencing financial difficulty that defaulted during the three months ended March 31, 2023, in which the modifications were within twelve months preceding the default.

Loan Modifications that Subsequently Defaulted[1]

(in thousands) **For the three months ended March 31, 2024**	Term Extension
Production and intermediate-term	**$ 3,724**
Agribusiness	**10,035**
Total	**$ 13,759**

[1]Excludes loans that defaulted within twelve months of modification, but were paid off or sold prior to period end.

The following table presents the payment status at amortized cost of loans that have been modified for borrowers experiencing financial difficulty within twelve months of the respective reporting period.

Payment Status of Loan Modifications[1]

(in thousands) **As of March 31, 2024**	Not Past Due or Less Than 30 Days Past Due	30-89 Days Past Due	90 Days or More Past Due	Total
Real estate mortgage	**$ 11,479**	**$ 871**	**$ --**	**$ 12,350**
Production and intermediate-term	**48,190**	**1,412**	**1,853**	**51,455**
Agribusiness	**2,768**	**179**	**10,034**	**12,981**
Total	**$ 62,437**	**$ 2,462**	**$ 11,887**	**$ 76,786**

As of March 31, 2023	Not Past Due or Less Than 30 Days Past Due	30-89 Days Past Due	90 Days or More Past Due	Total
Real estate mortgage	$ 974	$ --	$ --	$ 974
Production and intermediate-term	4,751	--	--	4,751
Agribusiness	16,334	--	--	16,334
Total	$ 22,059	$ --	$ --	$ 22,059

[1]Excludes loans that were modified during the period, but were paid off or sold prior to period end.

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty was not material at March 31, 2024, or 2023.

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the three months ended March 31, 2024, were $12.1 million and during the year ended December 31, 2023, were $16.0 million.

Allowance for Credit Losses

Our loan portfolio is divided into segments primarily based on loan type which are the segments used to estimate the allowance for credit losses. As our lending authorities limit the types of loans we can originate, our portfolio is concentrated in the agriculture sector. The credit risk associated with each of our portfolio segments includes a strong correlation to agricultural commodity prices and input costs. Specifically for our real estate mortgage segment, the value of agricultural land that serves as collateral is a key risk characteristic. Additionally, unemployment rates and gross domestic product levels are additional key risk characteristics attributable to our portfolio. We consider these characteristics, among others, in assigning internal risk ratings and forecasting credit losses on our loan portfolio and related unfunded commitments.

We develop our reasonable and supportable forecast by considering and utilizing a multitude of macroeconomic variables. The key macroeconomic variables that most significantly affect our estimate of the allowance for credit losses on loans and unfunded commitments include the following: cash receipts for corn, soybeans, dairy, and swine; selected input costs for producers (land cash rents and prices of seed, fertilizer, and feed); net farm income; U.S. real gross domestic product; Dow Jones total stock market index; civilian unemployment rates; consumer price index, housing price index; agricultural land values; and interest rates (prime and conventional mortgage rates).

We consider multiple macroeconomic scenarios in the estimate of the allowance for credit losses on loans and unfunded commitments which include base, adverse, and positive scenarios. The adverse scenario includes macroeconomic factors reflecting downside potential relative to the base scenario. The positive scenario includes potential upside in the macroeconomic factors above the base scenario. As of March 31, 2024, we utilized only the base scenario in determining our estimate of the allowance for credit losses on loans and unfunded commitments. Subsequent changes in the macroeconomic forecasts will be reflected in the provision for credit losses in future periods.

Changes in Allowance for Credit Losses

(in thousands) Three months ended March 31,	**2024**	2023
Allowance for Credit Losses on Loans		
Balance at beginning of period	**$ 75,630**	$ 52,663
Cumulative effect of change in accounting principle	**--**	(14,328)
Provision for credit losses on loans	**3,863**	27,748
Loan recoveries	**1,287**	136
Loan charge-offs	**(119)**	(1,423)
Balance at end of period	**$ 80,661**	$ 64,796
Allowance for Credit Losses on Unfunded Commitments		
Balance at beginning of period	**$ 8,617**	$ --
Cumulative effect of change in accounting principle	**--**	4,192
Provision for credit losses on unfunded commitments	**(568)**	(97)
Balance at end of period	**$ 8,049**	$ 4,095
Total allowance for credit losses	**$ 88,710**	$ 68,891

The change in the allowance for credit losses on loans from December 31, 2023, was primarily related to higher specific reserves required on a limited number of loans being transferred to nonaccrual status. As the credit quality of those loans decreased, their respective allowance for credit losses on loans increased. These increases were partially offset by decreases to the allowance for credit losses driven by improvements in the forecasts of real estate values, as well as loan recoveries.

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $1.7 billion at March 31, 2024, and $1.6 billion at December 31, 2023. Our investment securities consisted of:

- Mortgage-backed securities (MBS) issued by the Federal Agricultural Mortgage Corporation (Farmer Mac) or guaranteed by the Small Business Administration (SBA) or by the United States Department of Agriculture (USDA)
- Asset-backed securities (ABS) 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 investment securities, except $57.1 million at March 31, 2024, compared to $60.2 million at December 31, 2023, were fully guaranteed by Farmer Mac, SBA, or USDA. Premiums paid to purchase the investments are not guaranteed and are amortized as a reduction of interest income.

There was no allowance for credit losses on investment securities at March 31, 2024, or December 31, 2023.

Additional Investment Securities Information

(dollars in thousands) **As of March 31, 2024**	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
MBS and bonds	**$ 665,579**	**$ 1,718**	**$ (61,859)**	**$ 605,438**	**4.1%**
ABS	**1,003,336**	**1,334**	**(22,307)**	**982,363**	**5.7%**
Total	**$ 1,668,915**	**$ 3,052**	**$ (84,166)**	**$ 1,587,801**	**5.1%**

As of December 31, 2023	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
MBS and bonds	$ 662,622	$ 1,746	$ (56,829)	$ 607,539	4.0%
ABS	930,063	1,168	(21,110)	910,121	5.6%
Total	$ 1,592,685	$ 2,914	$ (77,939)	$ 1,517,660	4.9%

Accrued interest receivable on investment securities is presented in "Accrued interest receivable" in the Consolidated Statements of Condition and was $19.2 million at March 31, 2024, and $20.7 million at December 31, 2023.

Investment income is recorded in "Interest income" in the Consolidated Statements of Comprehensive Income and totaled $21.1 million and $14.9 million for the three months ended March 31, 2024, and 2023, respectively.

Contractual Maturities of Investment Securities

(in thousands) **As of March 31, 2024**	Amortized Cost
Less than one year	**$ 7,288**
One to five years	**50,317**
Five to ten years	**456,963**
More than ten years	**1,154,347**
Total	**$ 1,668,915**

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

NOTE 4: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, 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.

Refer to Note 13 in our 2023 Annual Report for additional detail regarding contingencies and commitments.

NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 in our 2023 Annual Report 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 quoted market prices, where available, or 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 $7.3 million and $16.1 million as of March 31, 2024, and December 31, 2023, respectively, which were valued using Level 3 inputs. Total fair value gains related to these loans were not significant for the three months ended March 31, 2024, and 2023, which were recognized in “Other non-interest expense” in the Consolidated Statements of Comprehensive Income.

Derivatives: If an active market exists, the fair value of our derivative financial instruments called “to be announced” securities (TBAs) is based on currently quoted market prices. We had TBAs with a notional value of $500 thousand and $750 thousand as of March 31, 2024, and December 31, 2023, 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. These derivatives were recorded on a net basis using Level 1 fair value inputs. Net losses related to TBAs sold, combined with fair value gains on the TBAs, resulted in a net gain of $3 thousand and $9 thousand for the three months ended March 31, 2024, and 2023, respectively, which were recognized 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:

Loans Held to Maturity: Represents the carrying amount of loans evaluated individually for credit losses and deemed to be collateral dependent. The carrying value amount is based on the estimated value of the underlying collateral, less costs to sell. When the fair value of the collateral, less costs to sell, is less than the amortized cost basis of the loan, a specific allowance for expected credit losses is established. Costs to sell represent transaction costs and are not included as a component of the collateral’s estimated fair value. Typically, 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 and, therefore, are classified as Level 3 fair value measurements.

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 March 31, 2024	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans held to maturity	**$ --**	**$ --**	**$ 92,535**	**$ 92,535**
Other property owned	**--**	**--**	**1,486**	**1,486**

As of December 31, 2023	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans held to maturity	$ --	$ --	$ 79,634	$ 79,634
Other property owned	--	--	1,486	1,486

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 7, 2024, 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 Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.