SOWING RURAL SUCCESS

2023 ANNUAL REPORT

COMPEER FINANCIAL®

CONTENTS

SOWING RURAL SUCCESS

At Compeer Financial, our mission to enrich agriculture and rural America is more than a statement — it's a commitment that runs deep. We recognize the **profound impact** farmers and agribusinesses play not only in local communities but also on a regional, national and global scale.

The vitality of rural America is at the core of our organization, and we understand the symbiotic relationship between strong rural communities and the success of agriculture. Compeer is committed to doing our part to **sow success** in rural America.

In the fields, barns, processing facilities — and all places in between — our member-owners show incredible resilience, determination and an unwavering spirit. They're the **heartbeat of rural communities**, navigating the challenges of fluctuating market conditions and economic uncertainties. Through it all, Compeer proudly stands as your partner, deeply committed to ensuring your success.

We acknowledge the challenges you face, but we also celebrate the dedication of those who face these challenges head-on. Together, we're **sowing the seeds of rural success** to nurture growth, sustainability and prosperity.

Thank you for trusting us with your dreams, and here's to another year of cultivating a thriving future for agriculture and rural communities.

SOWING SUCCESS
with Rural and Agricultural Solutions

Products and Services

At Compeer Financial, we're committed to empowering farmers and rural America through our comprehensive product portfolio featuring:

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

A Refreshed Vision

In 2023, Compeer unveiled a revamped vision statement aimed at guiding the organization into the future:

"A world where agriculture and rural communities are dynamic, collaborative and thriving."

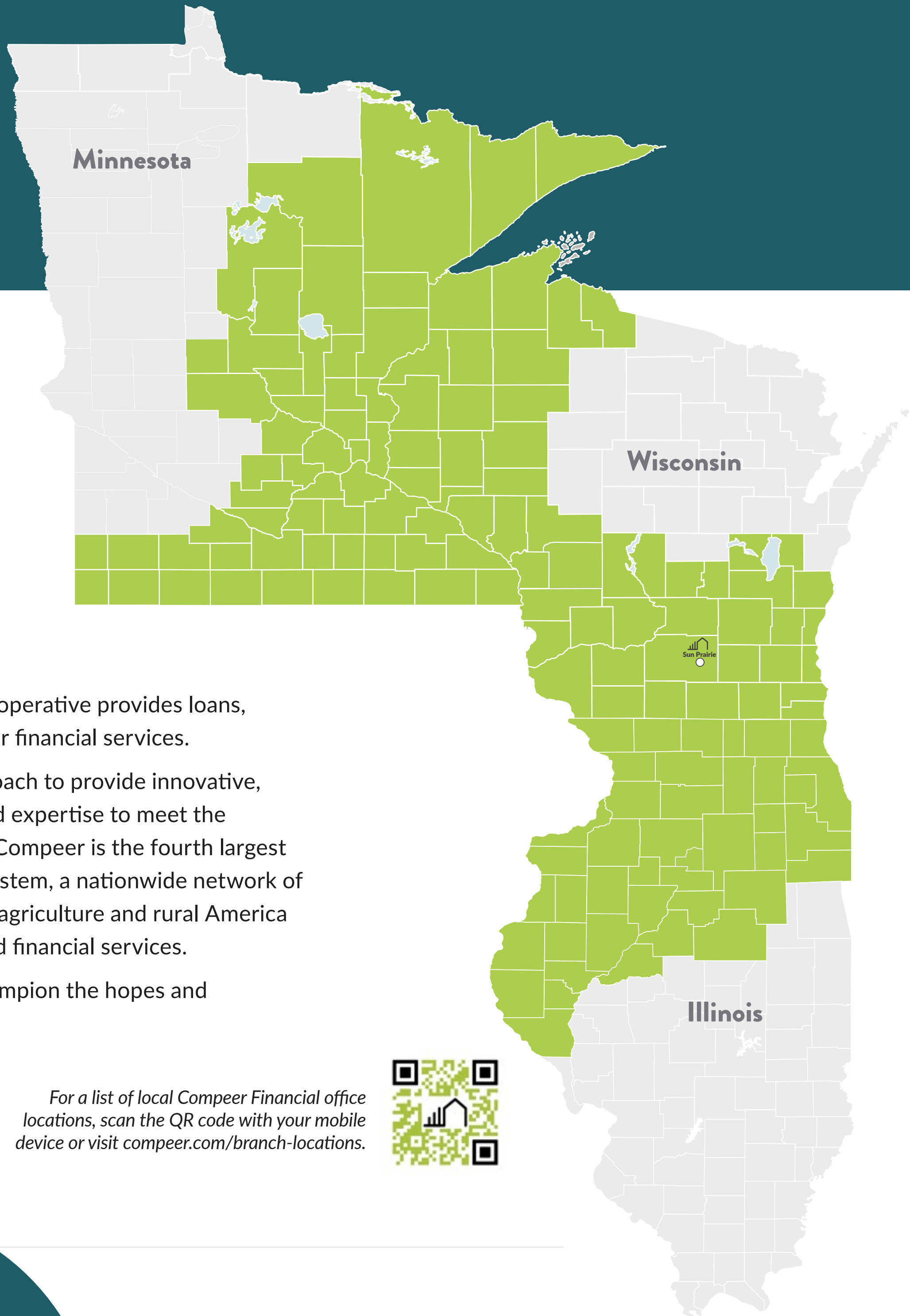
Compeer's leaders and Board of Directors say the organization's refreshed vision revolves around the important relationship between agriculture and rural communities. Rural communities play a pivotal role in shaping the agricultural landscape, and, in turn, agriculture creates an environment where rural communities can truly flourish.

In our fast-paced world, embracing change and innovation becomes crucial, and having a clear vision is key to navigate these shifts successfully. So, Compeer is all in, envisioning a future where both agriculture and rural communities flourish hand in hand.

Making a Difference

Recognizing the importance of aiding first responders in rural areas, our Fund for Rural America offers two grant programs to ensure that volunteer fire, rescue and ambulance departments in rural communities have the necessary resources for emergencies. Over the last six years, the Fund has provided more than $3.25 million in grants, positively impacting the lives of nearly 22,000 individuals dedicated to serving our communities. We are grateful to these courageous volunteers who generously contribute their time to help others.

To further bolster these efforts, the Fund collaborated with Operation Gratitude, enabling Compeer team members to participate in an initiative to create paracord lanyards and write notes of appreciation for first responders. During Compeer's Annual Conference and events held at offices across our territory, team members crafted 4,200 paracord lanyards and thank-you notes to deliver to 300 departments in our region. The paracord lanyards are versatile tools for first responders, facilitating tasks such as hanging IV bags, extending security straps and creating slings and splints.



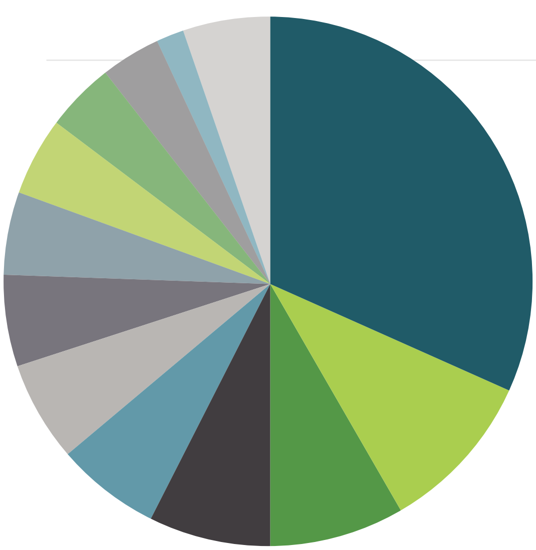
Member-Owned Farm Credit Cooperative

Compeer Financial is a member-owned Farm Credit cooperative dedicated to serving and supporting agriculture and rural communities. Based in the Upper Midwest and serving 144 counties in Illinois, Minnesota and Wisconsin, the cooperative provides loans, leases, risk management and other financial services.

We take a forward-thinking approach to provide innovative, customized financial solutions and expertise to meet the unique needs of those we serve. Compeer is the fourth largest cooperative in the Farm Credit System, a nationwide network of lending organizations supporting agriculture and rural America with reliable, consistent credit and financial services.

At Compeer, our mission is 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 – 2023

- CASH GRAINS | 31.7%
- FOOD PRODUCTS | 10.2%
- DAIRY | 8.1%
- AGRIBUSINESS | 7.7%
- SWINE | 6.5%
- ENERGY POWER & TELECOM | 6.0%
- OTHER CROPS | 5.7%
- LANDLORDS | 4.9%
- CATTLE | 4.6%
- PAPER, PACKAGING & TIMBER | 4.2%
- RURAL HOME | 3.6%
- POULTRY & OTHER LIVESTOCK | 1.7%
- OTHER | 5.1%

SOWING FINANCIAL SUCCESS

At Compeer Financial, we are dedicated to the cooperative model and the value it provides to our member-owners. Our commitment is to provide diverse financial solutions for clients of all backgrounds and for all types of operations, no matter the size. We bring strength, security and progress to our organization, sowing success in agriculture and rural communities.

FINANCIAL GROWTH IN 2023

In 2023, Compeer achieved significant milestones by increasing total assets to $31.9 billion and growing total equity to $4.9 billion.

$31.9B

IN FINANCIAL ASSETS

$4.9B

IN TOTAL EQUITY

$202M

PATRONAGE RETURNED

In 2023, Compeer Financial returned a total of $202 million in patronage to member-owners. This included cash patronage payments of $150 million and $52 million in allocated equity payments. Since 2017, we have returned more than $1 billion in patronage to member-owners. Our dedication to returning earnings to member-owners continues in 2024, as the cooperative expects to return $185 million in patronage directly to our clients.

THE FUND FOR RURAL AMERICA

Our dedication to community support is evident through the Fund for Rural America, where we commit to giving back 1% of net income. In 2023, we allocated nearly $4.8 million to support grant programs, scholarships and various commitments throughout our territory.

1%

OF EARNINGS

$4.8M

GRANT PROGRAMS, SCHOLARSHIPS AND VARIOUS COMMITMENTS

1,369

TEAM MEMBERS

74,358

MEMBER-OWNERS

LEADING IN RURAL AMERICA

Executive Leadership Team

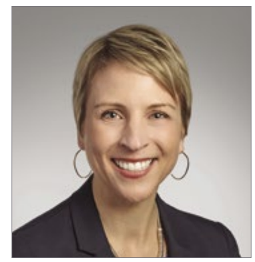
Compeer Financial is guided by a dynamic Executive Leadership Team that steers the cooperative's day-to-day operations and drives success through building and executing on the organization's strategy. The leadership team at Compeer Financial has extensive experience and expertise in the Farm Credit System.

JASE WAGNER
President & CEO

MATT GINDER
Chief Marketplace Development Officer

JOHN HEMSTOCK
Chief Human Resources Officer

TERRY L. HINDS
Chief New Markets & Assurance Officer



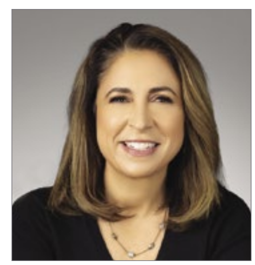
BETSY HORTON
Chief Financial Officer

PAUL KOHLS
Chief Administrative Officer & General Counsel

JOHN MONSON
Chief Mission Officer

BILL MOORE
Chief Risk Officer

JIM ROBERGE
Chief Diversified Markets Officer



SUSAN SACHATELLO
Chief Marketing Officer

JERRY WIESE
Chief Information Officer

BRUCE FEIST
Chief Information Officer

We are pleased to have Bruce Feist join Compeer Financial in 2024 as chief information officer. Bruce will succeed Jerry Wiese, who is retiring after 26 years of service. We are grateful for Jerry's contributions and his leadership at Compeer Financial, and we look forward to the incredible experience Bruce will bring to the organization.

Board of Directors

The member-owners of Compeer Financial are represented by 15 directors, with 12 elected and three appointed positions. The directors represent a broad spectrum of farming operations, agricultural industries and geographic locations, bringing diverse viewpoints to board discussions and decision making. Charged with the pivotal responsibility of setting business direction and evaluating operations, the Board also remains attuned to evolving client needs and shifts within the marketplace, ensuring a comprehensive and forward-thinking approach to governance.


ASHLEY AHL


ROD BOSMA


ANN BROOME


ALLYN BUHROW

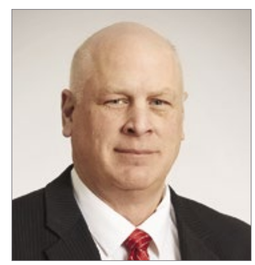

MARK CADE


DAN ERICKSON


LARRY FISCHER


DALE HOLMGREN


SARAH JANSEN

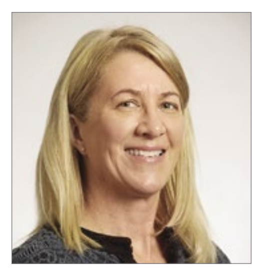

DAVE PETERS


GREG POLLESCH


DAN SCHEIDER


TRACY TRAVIS


KIMBERLY WEDIG


STEPHANIE WISE

THE VITALIZATION OF RURAL AMERICA

Rural communities play a pivotal role in providing essential services, infrastructure and workforce for the agriculture industry and beyond. At Compeer Financial, many of our clients and team members aren't just residents in rural communities, they contribute tirelessly to the vibrancy and success of the communities where they work and live. However, there's a quiet crisis looming as aging infrastructure and the decline of services threaten some of the community necessities that are crucial for farmers and rural residents.

Rural communities face challenges including difficulty accessing affordable loans or grants, which is compounded by aging infrastructure that affects health care, safety services and overall community growth. To thrive, rural communities require tailored support addressing needs like leadership development and economic initiatives.

Compeer is proud to be at the forefront of finding opportunities to help rural communities thrive through initiatives like our Fund for Rural America. This corporate giving program invests in agricultural advocacy, education, cooperative initiatives and community enrichment. By collaborating with stakeholders, including local banks and government entities, Compeer aims to maximize support and drive positive change in rural America with these key investments. Increased collaboration between banks, Farm Credit and communities can address the quietly developing crisis by providing financing and expertise to restore essential community facilities and foster development.

"At Compeer Financial, we believe that by identifying and addressing the specific needs of rural communities, things like developing local leadership, providing support for entrepreneurs and bolstering economic development, we can help these communities move from surviving to thriving," said John Monson, chief mission officer at Compeer.

SUCCESS THROUGH LEGISLATION

An alarming 149 rural hospitals across the United States have closed since 2010 due to population decline, and research has shown an estimated $89 billion funding gap for rural America's community facilities in 2023. Government funding covers only $83 billion, while traditional banking addresses just 13% of the requirement. Bridging this gap requires an 82% funding increase, emphasizing the pressing need for increased financial support to secure the future of rural communities.

To address these immediate concerns, Compeer Financial and other Farm Credit associations want to help rural entities access more funding for these important projects, but regulatory constraints limit Farm Credit's ability to lend to these important

projects. Through our legislative efforts and advocacy this past year, we are closer to a potential solution. Proposed legislation, potentially through the Farm Bill, can loosen some of the regulatory constraints, which would ultimately foster more collaboration between Farm Credit, local banks and government entities to secure the funding needed to modernize essential facilities in rural communities.

"We've started these conversations and worked closely with lawmakers to introduce legislation that could help open more doors to rural infrastructure funding," said Perry Aasness, vice president of legislative affairs at Compeer. "In 2024, we aim to take further steps to improve rural communities across our territory and the U.S."

SUCCCESS THROUGH PARTNERSHIPS

Compeer's commitment extends beyond research and legislative advocacy. We're partnering with organizations like Community and Economic Development Associates (CEDA), a nonprofit supporting rural communities since 1986. Compeer and CEDA have collaborated on information sharing and establishing CEDA's Rural Business Innovation Lab, created to support rural entrepreneurs through workshopping, networking and learning how to grow as rural business leaders.

> "Compeer Financial is all about helping rural communities and agriculture be dynamic, thriving and collaborative. It's what our team is passionate about and it's why we invest time, funding and resources as we help sow the seeds of success in rural America."
>
> **— JOHN MONSON, CHIEF MISSION OFFICER AT COMPEER**

Compeer is also collaborating with the Southern Minnesota Initiative Foundation, helping the organization expand its Rural Entrepreneurial Ventures (REV) program across small towns in southern Minnesota, Wisconsin and Illinois. With Compeer's increased financial support, the REV program will focus on targeted entrepreneurial development over three-years, providing support through highly trained experts that will facilitate community-led strategic priorities.

"Collaboration and partnership are essential to make a significant impact in rural communities," Monson emphasized. "Compeer Financial is all about helping rural communities and agriculture be dynamic, thriving and collaborative. It's what our team is passionate about and it's why we invest time, funding and resources as we help sow the seeds of success in rural America."

ADVOCATING FOR RURAL AMERICA

Telling the story of rural communities and agriculture is critical. The farming community needs a strong voice at many levels and with many audiences, and Compeer Financial takes pride in representing the voice of agriculture and rural America on Capitol Hill.

CEO JASE WAGNER'S TESTIMONY: A STRONG ADVOCATE FOR AGRICULTURE

In May 2023, Compeer Financial President and CEO Jase Wagner testified before the Senate Committee on Agriculture, Nutrition, and Forestry's Subcommittee on Commodities, Risk Management, and Trade. During his testimony, he emphasized the importance of crop insurance programs and the need for increased support for young and beginning farmers.

Wagner's testimony provided a powerful opportunity to share insights and address pressing issues the farming community faces.

2023 FARM CREDIT FLY-IN: BUILDING RELATIONSHIPS, DRIVING CHANGE

Compeer also participated in the 2023 Farm Credit Fly-In in November. Farm Credit associations from across the country gathered in Washington, D.C., to tell the story of agriculture and rural America. As part of the event, Compeer leaders and Board members participated in approximately 25 meetings with congressional leaders from Illinois, Minnesota and Wisconsin, engaging in constructive dialogue and sharing insights to deepen the understanding of the challenges and opportunities in agriculture and rural communities.

These meetings focused on sharing the story and impact of Farm Credit, along with discussions on key issues like the critical nature of passing the Farm Bill and the importance of investing in rural communities by advocating support for the Investing in Rural America Act and more.

"The Farm Credit System is the largest credit provider to agriculture in the U.S., and because Compeer Financial is one of the largest Farm Credit associations, it's vital that we tell our story to lawmakers at every level," explained Perry Aasness, vice president of legislative affairs at Compeer. "We have a responsibility to ensure legislative bodies are well-informed about the state of agriculture and rural America and what's required to meet those needs."

The Fly-In included a reception similar to a farmers market, where lawmakers and key policymakers experienced Farm Credit clients' stories while sampling products they produce. Compeer shared beef jerky made by Blondies Butcher Shop in Wanamingo, Minn.; barbecue rub from Savory Accents in Verona, Wis.; and flavored pumpkin seeds made by Top Fox Snacks in Morton, Ill.

ADVOCATING FOR THE FARM BILL: A PILLAR OF SUPPORT FOR FARMERS

Central to Compeer's legislative affairs initiatives in 2023 was advocating for the passage of the next Farm Bill. This critical legislation plays an instrumental role in shaping the landscape for those connected to agriculture. Throughout the year, the organization proactively engaged with lawmakers to emphasize the Farm Bill's significant role in sustaining the vitality of our nation's agriculture sector and the confidence and certainty it brings to producers.

"We aim to be advocates for our clients and partners on key issues important to agriculture," Aasness explained. "We take a proactive role on issues directly impacting Compeer and our clients so we can continue meeting the needs of agriculture and rural America."


INVESTING IN SECURITY SOLUTIONS
MOTOROLA CEO GREG BROWN ON PUBLIC SAFETY


FARM CREDIT


Mr. Jase Wagner


COMPEER FINANCIAL
SAVORY ACCENTS

Exploring
NEW OPPORTUNITIES IN AGRICULTURE

Agriculture is a dynamic and ever-evolving industry that continuously goes through positive changes due to innovations and pioneering approaches. These transformations impact traditional operations and give rise to entirely new methods of feeding and fueling the world.

Compeer Financial recently launched an initiative to discover and explore opportunities to support growing opportunities in agriculture. This includes ventures into indoor farming, sustainability, renewable energy investments and grants. Venturing into these new markets allows Compeer to discover innovative services, explore additional business channels for lending, introduce value-added products and enhance client value. This strategic journey will further the organization's reach by partnering with underexplored or underdeveloped sectors in agriculture.

"What we've continued to uncover as opportunities has been truly remarkable," said Bryan Stanek, managing director of new markets at Compeer. "There are opportunities to redefine the ways we can serve agriculture, extending beyond the conventional realms and acting as a catalyst for change that could truly bolster the future of agriculture. The exciting thing is that we'll be able to serve agriculture more comprehensively than we do today."

In addition to exploring new approaches to agriculture, conservation and sustainability are central themes for exploration. Potential outcomes include a mix of loan programs, grant services and carbon market access programs.

"We aim to bridge the sustainability conversation between the supply chain, farmers and processors," Stanek noted. "New markets will follow consumer-desired outcomes. Our team is acting as an advocate for agriculture."

He added that collaborations with supply chain companies and governmental programs present opportunities for Compeer, which will anticipate new financial programs emerging from these collaborations in the near future.

Stanek said the team made more than 75 new market contacts in 2023. These contacts include industry influencers, government leaders and business developers.

"By focusing on the future, Compeer has a positive image and an innovative culture," Stanek pointed out. "We are also known as an organization for partnerships, and that will help us create new solutions."

What's more, he noted, this initiative to serve new markets of agriculture will depend on conducting research and building unique programs.

"Compeer Financial is boldly exploring new avenues that will create fresh channels of business, ultimately bringing more value to agriculture overall and to our member-owners in the years to come," Stanek concluded.

Committed to PATRONAGE RETURNS

Compeer Financial is dedicated to enriching agriculture and rural America. One of the significant benefits of being part of the cooperative is our patronage program, which annually returns a substantial percentage of our earnings to our clients. As a member-owned cooperative, we understand the impact that additional capital can have — whether it's for investing in your operation, supporting your children and families, contributing to your community or securing your future.

Our clients' resilience and hard work were crucial to Compeer's success in 2023. Our patronage program provides a direct way for us to give back to those who deserve it most.

LOOKING AHEAD TO 2024

In 2024, the cooperative will distribute an impressive $185 million in patronage to our member-owners. This amount exceeds 40% of adjusted earnings, surpassing the targeted payout percentage for patronage returns. The breakdown is $52 million in allocated equities (for business that member-owners had with us before the formation of Compeer) and $133 million in cash patronage for business that clients had with Compeer in 2023.

2023 PATRONAGE RETURNS

Reflecting on our achievements in 2023, the cooperative achieved a significant milestone by reaching $1 billion in patronage to member-owners since the formation of Compeer in 2017, with returns in 2023 marking $202 million.

Discover more about the benefits of ownership at **compeer.com/patronage**.

Supporting the Future of Agriculture with the
GROUNDBREAKERS PROGRAM

Understanding that the demographics of those who work in agriculture are changing, Compeer Financial is at the forefront of supporting the next generation of farming. More than 70% of Compeer's portfolio can be associated with clients whose loans are considered young, beginning or small farmers, showcasing an unwavering commitment to our clients' long-term success and the future of agriculture.

"With this programming, we're supporting people who want to be part of agriculture, whether they are involved in traditional operations or direct-to-consumer sales or entering agriculture as a second career," said Mary Morgan, director of new markets at Compeer. "Our GroundBreakers programming is not limited by age; we provide robust support for beginners, regardless of their age, and those with smaller operations."

GROUNDBREAKERS PROGRAM BY DEFINITION

Young Farmers: age 35 or younger

Beginning Farmers: 10 years or less of farming, ranching or aquatic experience

Small Farmers: sustain annual gross sales from ag production of less than $350,000

Effective January 1, 2024, the Farm Credit Administration increased the small definition threshold from $250,000 to $350,000 in annual gross sales. This adjustment means Compeer can serve an even wider span of clients in the GroundBreakers program, fostering more growth opportunities in the agriculture sector.

“This change will allow us to expand to new programs for GroundBreakers,” Morgan added. “When you think about it, this program is all about growth, and we look forward to seizing the opportunities ahead to further support agriculture in these expanded parameters.”

Morgan emphasized that fitting precisely into a specific category is not a prerequisite for being a young, beginning or small farmer.

“Compeer recognizes the importance of supporting farmers who meet the criteria for success, and acknowledging that agriculture’s stability is crucial for feeding and fueling the world,” she noted.

THE BENEFITS OF GROUNDBREAKERS’ PROGRAMMING

Compeer’s GroundBreakers program ensures continuous access to competitive credit and other financial services, along with outreach programs designed specifically for the unique needs of young, beginning and small farmers. One valued educational opportunity is our yearly GroundBreakers Conference, where attendees learn from subject matter experts about transition planning, farm financials, direct marketing and more. This unique conference also fosters connections among participants with similar opportunities and challenges, strengthening their peer network. Overall, more than 410 young, beginning and small farmers attended the free two-day conference in 2023.

Sharing the story of agriculture is essential. Every year, Compeer recognizes an outstanding farmer as our GroundBreaker of the Year. The award recognizes a young, beginning or small farmer with an unwavering passion for agriculture and who actively are making a positive impact in the industry. This recognition is accompanied by a $5,000 cash award to support the recipient’s goals. Compeer Financial’s 2024 GroundBreaker of the Year is Sawyer Cottrell of Eureka, Ill. Learn more about Sawyer’s story by scanning the QR code on this page.

DEAR MEMBER-OWNERS,

As we set our sights on Compeer Financial's future, we're thrilled to share a new vision statement:

"A world where agriculture and rural communities are dynamic, collaborative and thriving."

This refreshed vision underscores the vital relationship between agriculture and rural communities. Rural areas play a pivotal role in shaping the agricultural landscape, and, in turn, agriculture fosters dynamic and thriving rural communities. At Compeer, we take pride in our pivotal role in helping sow success in rural America.

In closing out 2023, we also marked Jase Wagner's inaugural year as president and CEO of Compeer. Despite challenges posed by fluctuating interest rates, inflation and market uncertainties, the organization demonstrated resilience, aiding clients in navigating the complexities of the ever-evolving agriculture and financial sectors to deliver strong results.

2023 RESULTS

Compeer maintains a positive position despite uncertainty over inflation, changing interest rates and the general state of the economy. Amid these impacts, our growth continued in 2023, with assets now totaling an impressive $31.9 billion, marking a $2.2 billion increase from the previous year.

Given the current market dynamics, we understand that patronage returns are as important as ever for our member-owners. We're pleased to share that Compeer will return $185 million in patronage to our member-owners in 2024, representing more than 40% of the organization's earnings reinvested in our clients.

Compeer has built a solid financial foundation through portfolio diversification and sound risk management, ensuring the organization's strong ability to provide expertise and credit for the long run.

SEEDS OF SUCCESS IN RURAL AMERICA

Our commitment to agriculture and rural America extends beyond delivering financial results. Investing in the future of agriculture and rural America is critical, and we are proud to actively contribute to the well-being and growth of the industries and the communities we serve.

In 2023, our philanthropic efforts totaled nearly $4.8 million, supporting initiatives like grants, scholarships and annual commitments benefiting rural America. We continue to invest in mission-related projects, like health care facilities and senior centers, which are vital for the prosperity of rural America. Our continued dedication to the Rural Business Investment Program (RBIP) reflects our commitment to supporting rural businesses in need of capital for expansion, new technologies and workforce development.

Compeer is uniquely positioned to create even more opportunities by leveraging our resources, expertise and influence for positive change in rural communities, amplifying the voice of rural America with decision-makers. One example of this is Jase Wagner's testimony in Washington, D.C., in 2023 — you can learn more about our legislative initiatives on page 12 and further explore our efforts in rural communities on page 10 of this Annual Report.

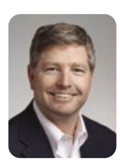
THE FUTURE OF COMPEER

Looking ahead, Compeer remains committed to growth, innovation and delivering strong results for our member-owners. Today's dynamic environment requires a balance of growth with long-term financial planning and innovation, paired with thoughtful risk management. Compeer is dedicated to achieving this balance to ensure capital continues to flow in agriculture and rural America. Accessible capital, backed by an experienced team, allows our clients to stay ahead of the market, ultimately making it even easier to do business.

The future holds exciting possibilities, and we're steadfast in our commitment to expanding our reach to new areas of agriculture and rural America. Our organization wouldn't be as strong without the leadership of our Board of Directors. Their collective expertise and institutional knowledge are invaluable assets as they help guide our cooperative into the future. We thank our board members for serving as the voice of our clients and for their dedication to ensuring a thriving future.

Thank you for trusting Compeer Financial as your partner — we take pride in serving you and look forward to continued partnership in the years ahead.

Sincerely,



Jase Wagner,
President and CEO

Stephanie Wise,
Chairperson of the Board

FINANCIAL REPORT

TABLE OF CONTENTS

Compeer Financial, ACA

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Compeer Financial, ACA

(dollars in thousands)

As of December 31,	2023	2022	2021	2020	2019
Condensed Consolidated Statements of Condition Data					
Loans held to maturity	**$ 28,273,503**	$ 26,719,853	$ 24,490,167	$ 22,585,104	$ 19,903,565
Allowance for credit losses on loans	**75,630**	52,663	63,700	89,157	78,504
Net loans held to maturity	**28,197,873**	26,667,190	24,426,467	22,495,947	19,825,061
Loans held for sale	**16,091**	5,014	24,896	51,541	27,807
Net loans	**28,213,964**	26,672,204	24,451,363	22,547,488	19,852,868
Cash	**2,400**	2,400	2,400	2,300	2,300
Investment securities	**1,592,685**	1,305,075	1,125,961	1,149,438	1,172,537
Investment in AgriBank, FCB	**1,103,132**	922,546	751,956	662,203	623,330
Other assets	**987,866**	771,084	676,818	580,842	532,898
Total assets	**$ 31,900,047**	$ 29,673,309	$ 27,008,498	$ 24,942,271	$ 22,183,933
Obligations with maturities of one year or less	**$ 701,173**	$ 632,490	$ 508,017	$ 458,019	$ 449,418
Obligations with maturities greater than one year	**26,333,298**	24,349,070	22,100,691	20,458,004	17,927,105
Total liabilities	**27,034,471**	24,981,560	22,608,708	20,916,023	18,376,523
Preferred stock	**100,000**	200,000	200,000	100,000	100,000
Capital stock and participation certificates	**47,280**	39,853	34,630	33,842	32,737
Capital stock and participation certificates receivable	**(34,078)**	(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	**162,937**	215,380	267,939	321,115	373,898
Unallocated surplus	**2,816,109**	2,487,557	2,142,989	1,813,294	1,531,824
Accumulated other comprehensive loss	**(7,275)**	(11,424)	(19,782)	(17,030)	(11,652)
Total equity	**4,865,576**	4,691,749	4,399,790	4,026,248	3,807,410
Total liabilities and equity	**$ 31,900,047**	$ 29,673,309	$ 27,008,498	$ 24,942,271	$ 22,183,933

For the year ended December 31,	2023	2022	2021	2020	2019
Condensed Consolidated Statements of Income Data					
Net interest income	**$ 708,037**	$ 609,960	$ 549,849	$ 524,053	$ 481,789
Provision for credit losses	**113,053**	(11,000)	(15,000)	27,894	20,777
Other expenses, net	**117,038**	106,387	66,499	56,267	64,391
Net income	**$ 477,946**	$ 514,573	$ 498,350	$ 439,892	$ 396,621
Key Financial Ratios					
For the Year					
Return on average assets	**1.6%**	1.9%	2.0%	1.9%	1.9%
Return on average equity	**9.8%**	11.3%	11.7%	11.1%	10.6%
Net interest income as a percentage of average earning assets	**2.5%**	2.3%	2.3%	2.4%	2.4%
Net charge-offs as a percentage of average loans	**0.3%**	0.0%	0.0%	0.1%	0.0%
At Year End					
Equity as a percentage of total assets	**15.3%**	15.8%	16.3%	16.1%	17.2%
Allowance for credit losses on loans as a percentage of loans	**0.3%**	0.2%	0.3%	0.4%	0.4%
Common equity tier 1 ratio	**12.6%**	13.2%	13.9%	14.3%	15.0%
Tier 1 capital ratio	**13.1%**	14.0%	14.6%	14.7%	15.5%
Total capital ratio	**14.1%**	14.9%	15.8%	15.2%	15.9%
Permanent capital ratio	**13.9%**	14.8%	15.7%	15.0%	15.9%
Tier 1 leverage ratio	**13.1%**	14.1%	14.9%	14.8%	15.4%
Net Income Distributed					
For the Year					
Patronage distributions:[1]					
Cash	**$ 149,325**	$ 149,902	$ 145,000	$ 125,000	$ 99,142
Redemption of allocated surplus	**52,000**	52,000	52,000	52,000	52,436
Other distributions	**8,536**	7,319	6,758	6,198	5,007
Preferred stock dividends	**12,548**	11,625	9,025	6,750	6,750
Other					
Gross pool program loans serviced for AgriBank, FCB	**3,281,272**	2,409,026	2,172,517	1,767,208	1,968,256

[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 and rural America. As of January 1, 2024, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 56 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.

The AgriBank Farm Credit District (AgriBank District or the District) is primarily comprised of AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations. 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:

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

AgriBank, FCB
30 East 7th Street, Suite 1600
St. Paul, MN 55101
(651) 282-8800
www.AgriBank.com
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
- Economic fluctuations, including inflationary indicators, 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 and U.S. Treasury 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
- Length and severity of an epidemic or pandemic
- Changes in our assumptions for determining the allowance for credit losses and fair value measurements
- Industry outlooks for agricultural conditions

AGRICULTURAL AND ECONOMIC CONDITIONS

As 2023 began, the agriculture sector (and thus, the American farmer) was largely well positioned to withstand challenges. During the recent past years, strong margins allowed many producers and certain agribusinesses to strengthen balance sheets by building working capital and reducing debt. Opportunities were available early in 2023 to market production at levels near or above breakeven across most commodities; however, overall 2023 commodity prices pulled back from the high levels of previous years. Core commodity export volumes fluctuated as some import markets pulled back demand after years of rising prices. Additionally, expanded international conflict zones required shifting of trade flows toward longer, less used, but effective routes. Even in spite of these challenges, coupled with elevated interest rates, many producers were able to adjust and at least break even for the year. Locally, the diverse Compeer credit portfolio, spanning production agriculture, processing, rural infrastructure, and related industries remained resilient, posting solid overall credit quality performance, with only a few isolated exceptions.

Overall inflationary pressure eased significantly throughout 2023, despite remaining above Federal Reserve targets. After an aggressive campaign to tame inflation, the Federal Reserve slowed (and then paused) the cycle of raising the benchmark Federal Funds Rate. The market's expectation for future rate reductions drove longer-term rates slightly lower as the year progressed and the peak of rates appeared to be in the rearview mirror. Rates still remain at elevated levels, on a relative basis. Recent guidance suggests the potential for rate cuts in 2024, if, or when, inflationary pressure subsides. The January 2024 Consumer Price Index release estimated year-over-year inflation at 3.4%, well below the peak seen in 2022. According to its August Land Values 2023 Summary report, the United States Department of Agriculture (USDA) indicated that the value of assets (such as farm real estate) across Compeer territory increased 5-10% during 2023, but increases moved more slowly in the later part of the year. In many cases, new highs for local auctions continue to be made.

The labor market remained tight throughout 2023, providing some challenge in availability for packing and transportation, yet benefitting operations relying on non-farm wage income. Consumer demand for food, goods, and services remained resilient overall, despite elevated input costs and inflation, largely due to the strong labor market.

Compeer generates a significant portion of its income from the grain, dairy, and swine sectors of production agriculture. While each of these industries experienced varying impacts from margin compression, overall client financial positions remained solid.

In its January 2024 World Agricultural Supply and Demand Estimate (WASDE) report, the USDA slightly increased its 2023 corn production forecast. This stronger forecasted production was largely offset by increased expected usage, particularly in ethanol, feed, and food/seed demand. As a result of overall ending stocks being forecast slightly higher (by 31 million bushels), the USDA moved the seasonal average price expectation for corn down slightly to $4.80 per bushel. Similar to corn, USDA slightly increased its 2023 soybean production forecast; however, unlike its corn usage forecast, the soybean usage forecast was lowered slightly. Even though ending soybean inventories were forecast to remain tight (despite the increased production forecast), the USDA slightly lowered the expected seasonal average price to $12.75 per bushel.

After the strong profitability of the last several years, dairy producers saw modest decreases across milk class prices throughout 2023. Overall, the USDA projects a 2023 annual average Class III milk price of $17.05 per hundredweight (cwt) produced. The WASDE report estimates a 2023 all-milk price of $20.60 per cwt, compared to $25.34 per cwt in 2022. These lower milk prices resulted in most producers finishing the year near breakeven. Lower feed costs did partially offset the prices' negative impact to margins; however, overall expenses and interest rates remained elevated, which heightened breakeven levels for most producers. In its December 2023 Milk Production report, the USDA indicated both a decreased number of cows and overall milk production across the major dairy producing states from the same period in 2022. Looking forward, 2024 estimates indicate potential margin improvement, due to expected expenses trending lower, with generally flat estimated milk prices. The USDA expects Class III milk to average $16.10 per cwt in 2024, while the all-milk price averages $20.00 per cwt. Increased use of subsidized revenue and margin protection plans continue to create greater risk management awareness and provide Compeer clients tools to mitigate volatility within the market.

Profitability in 2023 for most swine producers has been elusive. Individual client profitability continues to largely be driven by the impacts of contracts and integrator relationships on our clients' businesses. Producer margin models suggest significant losses were incurred in the swine industry during 2023. Weaned pig, corn, and soybean meal prices account for a significant share of total cost for producers, and these costs have risen significantly in the last few years. In total, 2023 production costs were 2% higher than in 2022, 21% higher than in 2021, and 53% higher than in 2020, according to the Iowa State University model for farrow-to-finish production. No corresponding increases in prices were received to cover the increased production costs. U.S. pork production, as of December 2023, consisted of 75 million head, a slight increase from the same period in 2022. The USDA's December 2023 Hogs and Pigs report indicates that breeding inventory was down 3% due to sow liquidation occurring in certain areas. Looking forward into 2024, the futures market suggests that a lower grain market may provide some input cost relief to pork producers. In forecasting the December 2023-to-February 2024 quarter, the USDA expects farrowing of 2.9 million sows, which is down slightly from year-ago levels. Repopulation efforts in major production centers outside of the U.S. after African Swine Fever outbreaks, coupled with competition from South America, have affected U.S. pork exports, which also continue to pressure prices.

In December, the USDA updated its net farm income forecast to $151.5 billion, a $31.8 billion decrease over 2022. The update also estimated net cash income for 2023 at $157.9 billion, a $42.5 billion year-over-year decrease. The forecast assumes lower grain and animal product receipts, along with lower estimated government payment revenue of $12.1 billion (a decrease of $3.5 billion from 2022) largely due to lower supplemental and ad hoc 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 2023 U.S. Bureau of Labor Statistics unemployment rate of 3.7% continues the trend of tight labor market unemployment levels. Labor market tightness has been a contributing factor toward elevated inflation levels, wage growth, and resulting interest rate increases throughout 2022 and 2023. Asset price increases, including home prices, slowed as higher rates limited demand. Federal Reserve monetary policy drove the rises in interest rates across the spectrum, including those for home mortgages, though rate increases paused as inflation cooled later in 2023.

Although 2023 profitability levels across several core portfolio industries were less favorable than the highs experienced in recent years, producers remain generally well financially positioned. The expectation is for 2024 commodity markets to remain relatively stable (which would yield a tight profitability environment, similar to 2023); though slow cost improvement may yield better results for producers' overall profitability in 2024 than in 2023. 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 $28.3 billion at December 31, 2023, an increase of $1.6 billion from December 31, 2022. Total loans include loans held to maturity and finance leases (hereinafter collectively referred to as loans).

Components of Loans

(in thousands)

As of December 31,	**2023**	2022	2021
Accrual loans:			
Real estate mortgage	**$ 14,317,236**	$ 13,883,898	$ 13,341,871
Production and intermediate-term	**4,759,088**	4,356,281	4,085,450
Agribusiness	**5,703,865**	5,619,806	4,591,757
Other	**3,285,612**	2,764,192	2,356,666
Nonaccrual loans	**207,702**	95,676	114,423
Total loans	**$ 28,273,503**	$ 26,719,853	$ 24,490,167

The other category is primarily 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.

The increase in total loans from December 31, 2022, to December 31, 2023, was led by strong growth within our Capital Markets business unit, followed by both our Marketplace Development (formerly core markets) and Agri-Access® business units. See the Business Units sub-section (within the Other Relationships and Programs section) for further details on each of our business units. As shown in the above chart, this growth is spread across all loan types, particularly real estate mortgage, production and intermediate-term, and energy (a subset of the other category), as a result of adding new borrowers and capitalizing on macroeconomic trends.

The Association participates in asset pool programs to effectively leverage District capital and other cooperative benefits, as well as manage concentration risk and portfolio growth. On September 1, 2023, we sold to AgriBank participations of $1.1 billion, representing participation portions of either 10% or 30% of loans from across most of our loan portfolio. The total outstanding participation interests in loans sold to AgriBank as part of the asset pool programs were $3.3 billion, $2.4 billion, and $2.2 billion at December 31, 2023, 2022, and 2021, respectively. It should be noted that in the above chart, for all years shown, the amounts represent Compeer's loan balances net of participation interests in loans sold to AgriBank as part of these asset pool programs.

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.

ICE Benchmark Administration (the entity responsible for calculating the London Inter-bank Offer Rate (LIBOR)) ceased the publication of all USD LIBOR settings after June 30, 2023. As anticipated, the Secured Overnight Financing Rate (SOFR) published by the CME Group has generally been the fallback to LIBOR. We have transitioned from the use of LIBOR to SOFR, which did not have a material impact on us and as of December 31, 2023, we have no exposure to LIBOR.

Portfolio Distribution

We are chartered to serve certain counties in Illinois, Minnesota, and Wisconsin. At December 31, 2023, approximately 20.8% of our loan portfolio was within our territory in Illinois, 18.4% was within our territory in Minnesota, and 14.9% 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,	**2023**	2022	2021
Cash grains	**31.7%**	32.4%	33.2%
Food products	**10.2%**	9.9%	8.4%
Dairy	**8.1%**	8.3%	9.2%
Agribusiness	**7.7%**	7.4%	7.1%
Swine	**6.5%**	6.8%	7.1%
Energy power and telecom	**6.0%**	5.9%	5.8%
Other crops	**5.7%**	5.2%	5.3%
Landlords	**4.9%**	5.2%	5.3%
Cattle	**4.6%**	4.5%	4.3%
Paper, packaging, and timber	**4.2%**	4.1%	3.9%
Rural home	**3.6%**	3.7%	3.7%
Poultry and other livestock	**1.7%**	1.7%	1.8%
Other	**5.1%**	4.9%	4.9%
Total	**100.0%**	100.0%	100.0%

The concentration of cash grains in our loan portfolio was at its highest point of the last five years in 2021 and has since decreased, as shown in the previous chart. The decreases throughout 2022 and 2023 were due to higher grain prices causing paydowns of operating loans. These cash grains concentration decreases were offset by increases in our concentration of food products, fueled by the growth of our Capital Markets business unit during 2022 and 2023.

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 declined from December 31, 2022. Adversely classified loans increased to 2.5% of the portfolio at December 31, 2023, from 2.0% of the portfolio at December 31, 2022. 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. 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, 2023, 2022, and 2021. In addition, $210.1 million, $215.0 million, and $252.1 million of our loans were substantially guaranteed through the Federal Agricultural Mortgage Corporation (Farmer Mac), a System institution, Standby Commitment Program at December 31, 2023, 2022, and 2021, respectively.

The core commodity markets were generally less favorable in 2023 than in 2022, as price inflation, exports, and rising inventory levels negatively affected returns. In the face of these headwinds, many clients experienced a downturn in current financial performance and a decline in profitability; however, their balance sheets remain robust, due to record profits in previous periods that contributed to building working capital. The continued increase in farmland asset values also played a role in maintaining financial stability. Additionally, the impact of the 2023 rise in interest rates was mitigated by significant cash reserves and a large percentage of debt set at low fixed rates. As such, greater than 98% of the loans within our Marketplace Development business unit were classified as acceptable at December 31, 2023.

Commercial entities that are more asset light, tied closer to consumer demand, and more reliant on leverage and floating rates had a rougher 2023. According to Reuters, commercial Chapter 11 business reorganization filings shot up by 72% in 2023 over the previous year. Along the same lines, lenders' defaulted recovery rates were recorded at 30-year lows. J.P. Morgan reports that recovery rates on first lien senior debt were 38.3%, compared to a 24-year average of 64.5%. Because Compeer serves all segments of agriculture, including those more stressed segments, Compeer's total adversely classified loan levels increased modestly throughout the year. Charge-offs in 2023, including that of a pork processing plant in Minnesota, were among the highest in the most recent five-year historical period, where in the prior four years we experienced minimal charge-offs thanks to an extremely favorable economic environment.

Grain production in 2023 varied as growing conditions were influenced by weather conditions (either drought or excessive moisture); however, thanks to timely moisture and hybrid seed technology, overall production remained strong. Corn growers in the U.S. achieved a new record yield of 177.3 bushels per acre in 2023, according to the USDA's January 2024 WASDE. Nationally, inventory volumes increased as production was generally sufficient to offset demand. Generally rising inventory levels resulted in less favorable commodity prices throughout the year.

Despite margin compression and elevated interest rates, farmland prices in Compeer's territory remained strong. Much of Compeer's territory remains at near-record farmland price levels, fueled by still favorable client financial positions. While true that, in total, all areas and classes of farmland increased, Compeer recognizes that specific parcel valuations have moved independently and variably based on quality, availability, and the size of the local pool of buyers.

Similar to that of grain prices, dairy prices were less favorable throughout 2023, creating headwinds for client margins, despite lessening feed expenses. The current price outlook suggests a generally similar environment in 2024 for most producers, although prices are forecast to improve slightly in the latter part of the year. Our risk management tools such as Dairy Revenue Protection and Dairy Margin Protection are available to help clients protect profitability. Favorable market conditions prior to 2023 drove portfolio improvement, as client financial positions strengthened significantly. These strengthened financial positions led to overall resilience in the dairy portfolio, despite the less favorable 2023 market conditions. The level of adversely classified loans within our dairy portfolio is the lowest seen in years.

Swine industry profitability was negative throughout all of 2023 due to high input costs, waning export demand, and increased product inventory. Repopulation efforts from geographies struggling with African Swine Fever (particularly, China), coupled with significant competition from South America, drove lower export volumes for U.S. product. The profitability of most swine producers is directly tied to the type of contract and pricing from which they operate, but aggregate industry losses were unprecedented. Iowa State University reports expect overall U.S. swine industry losses of nearly $32 per pig for 2023. Based on the USDA's December 2023 Hog and Pigs report indicating a market hog inventory of about 69 million head, this equates to about $2.2 billion in industry losses. Looking forward, the 2024 environment shows some marginal improvement, but consensus remains that production will need to decrease to restore equilibrium in the swine industry.

Overall, the agribusiness portfolio includes a diverse range of clients and industries that add both product and geographic diversification to the portfolio. Though the sectors comprising the agribusiness portfolio largely remained profitable in 2023, stress manifested in some individual assets' deteriorating credit quality, and in some cases, losses. In general, individual client results continue to reflect the underlying business relationship with the economy and supply chain, and can often move countercyclical to production agriculture. As of December 31, 2023, our adversely classified loans were higher than at 2021 and 2022 year-ends, but below the levels of 2018 through 2020.

Nonperforming Assets

Effective January 1, 2023, we adopted Accounting Standards Update 2016-13 “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” 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 and is referred to as the Current Expected Credit Loss (CECL) model. The allowance for credit losses comprises the allowance for credit losses on loans, unfunded commitments, and investment securities.

Components of Nonperforming Assets

(dollars in thousands) As of December 31,	**2023**	2022	2021
Loans:			
Nonaccrual	**$ 207,702**	$ 95,676	$ 114,423
Accruing loans 90 days or more past due	**32,335**	8,356	9,091
Total nonperforming loans	**240,037**	104,032	123,514
Other property owned	**1,132**	722	10,342
Total nonperforming assets	**$ 241,169**	$ 104,754	$ 133,856
Total nonperforming loans as a percentage of total loans[1]	**0.8%**	0.4%	0.5%
Nonaccrual loans as a percentage of total loans	**0.7%**	0.4%	0.5%
Current nonaccrual loans as a percentage of total nonaccrual loans	**64.4%**	62.6%	70.9%
Total delinquencies as a percentage of total loans[2]	**0.9%**	0.4%	0.4%

[1]Prior years' ratios have been updated to conform to the current year's presentation.

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

Note: Prior to the adoption of CECL, which was effective January 1, 2023, accruing loans included accrued interest receivable.

Our nonperforming assets have increased from December 31, 2022, 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 over the past approximately five years, credit quality deterioration throughout 2023 returned us to levels previously experienced prior to the last five years. The challenges and resulting stress and losses that swine producers experienced, in particular, first began to impact our nonaccrual totals in late 2022, and continued to impact nonaccrual movement throughout 2023. Nonaccrual loans increased during the year, driven primarily by a small number of loans from within our Capital Markets and Industry Specialists business units being transferred to nonaccrual status. Specifically, those loans from within our Industry Specialists business unit lie within the swine and food and agribusiness industries. Those nonaccrual increases were partially offset by the subsequent charge-off of a small number of those loans. Again, these amounts of charge-offs have not been experienced during the most recent five-year period. Throughout these changes, nonaccrual loans remained at acceptable levels at December 31, 2023, 2022, and 2021.

The increase in accruing loans 90 days or more past due was due to a very limited number of loans becoming more than 90 days past due. 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 December 31, 2023, 2022, and 2021, 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

Effective January 1, 2023, 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. Prior to January 1, 2023, the allowance for loan losses was an estimate of losses incurred on loans in our portfolio that were probable and estimable as of December 31, 2022, and 2021.

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 2023.

Allowance for Credit Losses on Loans Coverage Ratios

As of December 31,	**2023**	2022	2021
Allowance for credit losses on loans as a percentage of:			
Loans	**0.3%**	0.2%	0.3%
Nonaccrual loans	**36.4%**	55.0%	55.7%
Total nonperforming loans[1]	**31.5%**	50.7%	51.8%
Net charge-offs as a percentage of average loans	**0.3%**	0.0%	0.0%
Adverse assets to capital and allowance for credit losses on loans	**14.7%**	11.7%	10.9%

[1]Prior years' ratios have been updated to conform to the current year's presentation.

The total allowance for credit losses on loans was $75.6 million, $52.7 million, and $63.7 million at December 31, 2023, 2022, and 2021, respectively. During the year ended December 31, 2023, in order to increase the allowance for credit losses on loans, primarily related to higher specific reserves required on a small number of loans being transferred to nonaccrual status, we recorded a $108.6 million provision for credit losses on loans expense. As the credit quality of those loans decreased, their respective allowance for credit losses on loans increased. Also contributing to the increase, although to a lesser extent, were forecasts of deteriorating macroeconomic conditions within the swine and grain sectors.

The resulting increase in the total allowance for credit losses on loans was partially offset by three factors: 1) Charge-offs taken during the period on a limited number of loans, resulting in the reduction of $72.1 million of allowance for credit losses on loans, 2) The cumulative effect adjustment (decrease) of $14.3 million recorded as a result of the adoption of CECL on January 1, 2023, as discussed in Note 2, and 3) A decrease in our allowance for credit losses on loans due to our asset pool program activity during the period. The allowance for credit losses on loans sold to AgriBank as part of the asset pool program transactions on September 1, 2023, was removed at the time of the sale.

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 $16.1 million, $5.0 million, and $24.9 million at December 31, 2023, 2022, and 2021, 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 $11.4 million, $51.2 million, and $110.5 million in 2023, 2022, and 2021, respectively. In addition, we sold rural home loans in the secondary market through our RuraLiving® program totaling $36.5 million, $63.2 million, and $113.2 million in 2023, 2022, and 2021, 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 held investment securities. We had held-to-maturity investment securities of $1.6 billion, $1.3 billion, and $1.1 billion at December 31, 2023, 2022, and 2021, 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, 2023, 2022, and 2021. Included within our held-to-maturity investment securities portfolio were Farmer Mac MBS of $584.2 million, $602.2 million, and $666.3 million as of December 31, 2023, 2022, and 2021, 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 January 1, 2023, we adopted CECL, which amended the previous other-than-temporary impairment model for investment securities to incorporate an allowance for credit losses on investment securities. There was no allowance for credit losses on investment securities at December 31, 2023, as the substantial majority of our investment portfolio 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. Additional information regarding the CECL adoption is included in Note 2 to the accompanying Consolidated Financial Statements. Prior to January 1, 2023, the investment securities portfolio was evaluated for other-than-temporary impairment. For the years ended December 31, 2022, and 2021, we did not recognize any impairment on our investment securities portfolio.

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,	**2023**	2022	2021
Net income	**$ 477,946**	$ 514,573	$ 498,350
Return on average assets	**1.6%**	1.9%	2.0%
Return on average equity	**9.8%**	11.3%	11.7%

Changes presented in the profitability information chart relate directly to:

- Changes in net 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)	**2023**	2022	2021	**2023 vs 2022**	2022 vs 2021
Net interest income	**$ 708,037**	$ 609,960	$ 549,849	**$ 98,077**	$ 60,111
Provision for credit losses	**113,053**	(11,000)	(15,000)	**(124,053)**	(4,000)
Non-interest income	**320,386**	299,442	311,294	**20,944**	(11,852)
Non-interest expense	**410,559**	382,078	354,606	**(28,481)**	(27,472)
Provision for income taxes	**26,865**	23,751	23,187	**(3,114)**	(564)
Net income	**$ 477,946**	$ 514,573	$ 498,350	**$ (36,627)**	$ 16,223

Net Interest Income

Changes in Net Interest Income

(in thousands) For the year ended December 31,	**2023 vs 2022**	2022 vs 2021
Changes in volume	**$ 41,825**	$ 48,711
Changes in interest rates	**59,378**	5,029
Changes in asset securitization	**74**	89
Changes in nonaccrual interest income and other	**(3,200)**	6,282
Net change	**$ 98,077**	$ 60,111

Net interest margin (net interest income as a percentage of average earning assets) was 2.5%, 2.3%, and 2.3% in 2023, 2022, and 2021, respectively. Our net interest margin is sensitive to interest rate changes and competition.

Net interest income included income on nonaccrual loans that totaled $3.2 million, $8.3 million, and $2.5 million in 2023, 2022, and 2021, 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 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 provision for credit losses on unfunded commitments. The change in the provision for credit losses on loans is based upon the calculated changes in the allowance for credit losses on loans. 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 from December 31, 2022, to December 31, 2023, which included deteriorating credit quality of a limited number of loans and the forecast of deteriorating macroeconomic conditions within the swine and grain sectors. Additional information is included in Note 3 to the accompanying Consolidated Financial Statements.

Non-Interest Income

The change in non-interest income was primarily due to patronage income, followed by increases in fee and other non-interest income.

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 year ended December 31,	**2023**	2022	2021
Patronage from AgriBank	**$ 181,380**	$ 167,933	$ 168,724
AgDirect partnership distribution	**5,611**	4,462	2,952
Other patronage	**167**	1,264	936
Total patronage income	**$ 187,158**	$ 173,659	$ 172,612
Form of patronage distributions:			
Cash	**$ 147,052**	$ 79,313	$ 154,180
Stock	**40,106**	94,346	18,432
Total patronage income	**$ 187,158**	$ 173,659	$ 172,612

Patronage from AgriBank primarily includes wholesale patronage and asset pool program patronage. See the Relationship with AgriBank section for further discussion on patronage income. In addition, see the Unincorporated Business Entities subsection (within the Other Relationships and Programs section) for further discussion on AgDirect, LLP and the partnership distribution.

Fee and Other Non-Interest Income: The increase in fee and other non-interest income was primarily due to two sources: origination fee increases as a result of loan growth (particularly within our Capital Markets and Industry Specialists business units), as well as increases in fee income on unfunded commitments.

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,	**2023**	2022	2021
Salaries and employee benefits	**$ 241,444**	$ 221,062	$ 208,912
Other operating expense:			
Purchased and vendor services	**27,403**	24,600	22,443
Communications	**4,140**	4,139	3,588
Occupancy and equipment	**41,518**	38,358	40,123
Advertising and promotion	**16,604**	15,185	13,228
Examination	**4,804**	4,588	4,188
Farm Credit System insurance	**42,006**	42,716	31,429
Other	**20,125**	21,080	16,381
Other non-interest expense	**12,515**	10,350	14,314
Total non-interest expense	**$ 410,559**	$ 382,078	$ 354,606
Net pre-tax operating rate	**0.8%**	0.8%	0.8%

As shown in the above chart, the overall change in non-interest expense was primarily due to increases in salaries and employee benefits, occupancy and equipment, and purchased and vendor services. Salary, benefit, and variable compensation expenses increased due to inflation, annual merit increases, and additional new employees hired as the Association has grown. In addition, our benefit expenses related to our employees participating in the AgriBank District Retirement Plan increased. See Note 11 to the accompanying Consolidated Financial Statements for additional information related to this pension plan. Strategic investments made to upgrade and advance technology projects, systems, and applications increased both purchased and vendor services expenses and occupancy and equipment expenses during 2023. Occupancy and equipment expenses also increased due to investments made into new buildings, furniture, and equipment throughout 2023.

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, 2023, we had $8.7 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,	**2023**	2022	2021
Average balance	**$ 24,687,543**	$ 22,480,280	$ 20,590,907
Average interest rate	**3.6%**	2.0%	1.4%

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

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.

In August 2023, Fitch Ratings lowered the U.S. sovereign's long-term Issuer Default Rating and the long-term debt rating for the Farm Credit System to AA+ from AAA, the F1+ short-term ratings were affirmed, and the outlooks on the long-term debt ratings were revised to stable. As a government-sponsored entity, the Farm Credit System benefits from the implicit government support and, therefore, the ratings are directly linked to the U.S. sovereign rating. Additionally, Fitch Ratings lowered the long-term debt rating for the Farm Credit Banks, including AgriBank, to A+ from AA-, the F1+ short-term rating was affirmed, and the outlook on the long-term debt rating was revised to stable. The reduction in the credit rating by Fitch Ratings for the Farm Credit Banks, including AgriBank, could result in higher funding costs which could impact our costs and, ultimately, retail rates. However, to date we have noticed no significant impact as a result of this rating change.

In May 2021, we issued $100.0 million of Series B-1 non-cumulative perpetual preferred stock, which brought our total preferred stock to $200.0 million. On November 15, 2023, we redeemed $100.0 million of Series A-1 non-cumulative perpetual preferred stock, bringing our total preferred stock back down to $100.0 million. 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, in May 2021, 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 $210.1 million, $215.0 million, and $252.1 million of our loans in this program at December 31, 2023, 2022, and 2021, respectively. No loans were sold to Farmer Mac under this agreement during 2023, 2022, or 2021.

CAPITAL ADEQUACY

Total equity was $4.9 billion, $4.7 billion, and $4.4 billion at December 31, 2023, 2022, and 2021, respectively. Total equity increased $173.8 million from December 31, 2022, primarily due to net income for the year partially offset by patronage distribution accruals, redemption of preferred stock, redemption of allocated patronage, capital stock and participation certificates receivable, and preferred stock dividend accruals.

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,	**2023**	2022	2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**12.6%**	13.2%	13.9%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**13.1%**	14.0%	14.6%	6.0%	2.5%	8.5%
Total capital ratio	**14.1%**	14.9%	15.8%	8.0%	2.5%	10.5%
Permanent capital ratio	**13.9%**	14.8%	15.7%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**13.1%**	14.1%	14.9%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**11.9%**	12.5%	14.7%	1.5%	N/A	1.5%

These ratios are based on a three-month average daily balance in accordance with the FCA Regulations. Additional information on the calculation of these ratios is included in Note 9 to the accompanying Consolidated Financial Statements.

Our capital plan is designed to maintain an adequate amount of surplus and allowance for credit 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. Our November 2023 redemption of $100.0 million of non-cumulative perpetual preferred stock is reflected within the December 31, 2023, ratios above. 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 13.0%, as defined in our 2024 capital plan.

As authorized by the Board of Directors, we accrued patronage distributions of $133.0 million as of December 31, 2023, to be paid in cash during 2024. In addition, as of December 31, 2023, we accrued $52.0 million for the redemption of our nonqualified patronage program, in addition to $443 thousand of other retirements for the year, to be paid to former stockholders of the merged associations in the first quarter of 2024. Also, the Board of Directors authorized the payment of $11.3 million of other distributions on approved transactions for 2023. 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 2024.

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, 2023, we were required by AgriBank to maintain an investment equal to 3.0% of the average quarterly balance of our note payable. The required investment increased to 3.1% for 2024. In addition to the required investment based on the note payable, asset pool programs are typically capitalized at a higher rate that is mutually agreed upon in the asset pool program agreements.

We are also required to hold additional investment in AgriBank based on a contractual agreement under any asset pool program in which we participate.

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

We purchase various business services, primarily financial reporting, from AgriBank. 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, which involves purchasing participation interests in loans to eligible borrowers. 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, 2023, 2022, and 2021, our equity investment in CoBank was $1.0 million, $1.2 million, and $1.2 million, respectively.

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, 2023, 2022, and 2021, 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 of this agreement. We also purchase MBS investment securities from Farmer Mac. Refer to the Investment Securities section for further discussion. We paid Farmer Mac fees totaling $2.0 million, $2.6 million, and $2.9 million in 2023, 2022, and 2021, 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 via their representation on the ProPartners Board of Directors. 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 asset pool program.

Rural Business Investment Company: We and other Farm Credit institutions are among the limited partners for several Rural Business Investment Companies (RBICs). Our investment in RBICs, was $80.8 million, $62.2 million, and $39.2 million at December 31, 2023, 2022, and 2021, respectively. Refer to Note 13 to the accompanying Consolidated Financial Statements for further disclosure.

SunStream Business Services: We have a relationship with SunStream Business Services (SunStream), a System service corporation, which involves purchasing financial and retail information technology, collateral, tax reporting, and insurance services. As of December 31, 2023, 2022, and 2021, 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, 2023, 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.

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 $37.9 million, $35.7 million, and $31.3 million at December 31, 2023, 2022, and 2021, 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. In order to meet the 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 $79.3 million, $84.2 million, and $92.4 million at December 31, 2023, 2022, and 2021, 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 2023, we have ordered vehicles for 22 System entities.

Business Units

In order to carry out our mission of enriching agriculture and rural America, we strive to provide our clients with specialized expertise. We accomplish this customization by splitting and focusing our product offerings and teams into the following business units:

Marketplace Development: We provide operating, term, and real estate loans, leases, crop insurance, life insurance, accounting, and tax services to agricultural lending 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: Our 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: Our 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. We have an alliance 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, 2023. 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.

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

February 29, 2024

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, 2023. 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, 2023, 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, 2023, 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, 2023.

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

Betsy Horton
Chief Financial Officer
Compeer Financial, ACA

February 29, 2024

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, 2023, 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, 2023.

Gregory Pollesch
Chairperson of the Audit Committee
Compeer Financial, ACA

Audit Committee Members:
Ashley Ahl
Rodney Bosma
Dan Scheider
Tracy Travis

February 29, 2024

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, 2023, 2022, and 2021, 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, 2023, 2022, and 2021, 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, 2023, 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, 2023, 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Association changed the manner in which it accounts for the allowance for credit losses in 2023. Our opinions are not modified with respect to this matter.

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.

PricewaterhouseCoopers LLP, 45 South Seventh Street, Suite 3400, Minneapolis, MN 55402
T: (612) 596 6000, F: (612) 373 7160, www.pwc.com

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.
- 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 2023 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
February 29, 2024

CONSOLIDATED STATEMENTS OF CONDITION

Compeer Financial, ACA

(in thousands)

As of December 31,	2023	2022	2021
ASSETS			
Loans held to maturity	**$ 28,273,503**	$ 26,719,853	$ 24,490,167
Allowance for credit losses on loans	**75,630**	52,663	63,700
Net loans held to maturity	**28,197,873**	26,667,190	24,426,467
Loans held for sale	**16,091**	5,014	24,896
Net loans	**28,213,964**	26,672,204	24,451,363
Cash	**2,400**	2,400	2,400
Investment securities	**1,592,685**	1,305,075	1,125,961
Assets held for lease, net	**147,826**	138,502	119,515
Accrued interest receivable	**311,492**	234,126	170,502
Investment in AgriBank, FCB	**1,103,132**	922,546	751,956
Premises and equipment, net	**108,965**	88,254	84,411
Other assets	**419,583**	310,202	302,390
Total assets	**$ 31,900,047**	$ 29,673,309	$ 27,008,498
LIABILITIES			
Note payable to AgriBank, FCB	**$ 26,133,298**	$ 24,149,070	$ 21,900,691
Subordinated debt	**200,000**	200,000	200,000
Accrued interest payable	**242,969**	164,574	69,847
Deferred tax liabilities, net	**64,210**	56,535	47,261
Patronage distribution payable	**197,009**	210,536	209,319
Other liabilities	**196,985**	200,845	181,590
Total liabilities	**27,034,471**	24,981,560	22,608,708
Contingencies and commitments (Note 13)			
EQUITY			
Preferred stock	**100,000**	200,000	200,000
Capital stock and participation certificates	**47,280**	39,853	34,630
Capital stock and participation certificates receivable	**(34,078)**	(20,220)	(6,589)
Additional paid-in capital	**1,780,603**	1,780,603	1,780,603
Allocated surplus	**162,937**	215,380	267,939
Unallocated surplus	**2,816,109**	2,487,557	2,142,989
Accumulated other comprehensive loss	**(7,275)**	(11,424)	(19,782)
Total equity	**4,865,576**	4,691,749	4,399,790
Total liabilities and equity	**$ 31,900,047**	$ 29,673,309	$ 27,008,498

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,	**2023**	2022	2021
Interest income	**$ 1,599,130**	$ 1,064,654	$ 838,309
Interest expense	**891,093**	454,694	288,460
Net interest income	**708,037**	609,960	549,849
Provision for credit losses	**113,053**	(11,000)	(15,000)
Net interest income after provision for credit losses	**594,984**	620,960	564,849
Non-interest income			
Patronage income	**187,158**	173,659	172,612
Net operating lease income	**10,484**	7,697	4,843
Financially related services income	**50,034**	52,744	50,017
Fee and other non-interest income	**72,710**	65,342	83,822
Total non-interest income	**320,386**	299,442	311,294
Non-interest expense			
Salaries and employee benefits	**241,444**	221,062	208,912
Farm Credit System insurance	**42,006**	42,716	31,429
Other operating expense	**114,594**	107,950	99,951
Other non-interest expense	**12,515**	10,350	14,314
Total non-interest expense	**410,559**	382,078	354,606
Income before income taxes	**504,811**	538,324	521,537
Provision for income taxes	**26,865**	23,751	23,187
Net income	**$ 477,946**	$ 514,573	$ 498,350
Other comprehensive income (loss)			
Employee benefit plans activity	**$ 4,149**	$ 8,358	$ (2,752)
Total other comprehensive income (loss)	**4,149**	8,358	(2,752)
Comprehensive income	**$ 482,095**	$ 522,931	$ 495,598

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, 2020	$ 100,000	$ 28,266	$ 1,780,603	$ 321,115	$ 1,813,294	$ (17,030)	$ 4,026,248
Cumulative effect of change in accounting principle	--	--	--	--	--	--	--
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 redeemed	--	--	--	--	--	--	--
Preferred stock dividend	--	--	--	--	(9,025)	--	(9,025)
Other distributions	--	--	--	--	(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
Cumulative effect of change in accounting principle	--	--	--	--	--	--	--
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 redeemed	--	--	--	--	--	--	--
Preferred stock dividend	--	--	--	--	(11,625)	--	(11,625)
Other distributions	--	--	--	--	(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
Cumulative effect of change in accounting principle	**--**	**--**	**--**	**--**	**7,343**	**--**	**7,343**
Net income	**--**	**--**	**--**	**--**	**477,946**	**--**	**477,946**
Other comprehensive income	**--**	**--**	**--**	**--**	**--**	**4,149**	**4,149**
Redemption of prior year allocated patronage	**--**	**--**	**--**	**(52,443)**	**64**	**--**	**(52,379)**
Preferred stock issued	--	--	--	--	--	--	--
Preferred stock redeemed	**(100,000)**	**--**	**--**	**--**	**--**	**--**	**(100,000)**
Preferred stock dividend	**--**	**--**	**--**	**--**	**(12,548)**	**--**	**(12,548)**
Other distributions	**--**	**--**	**--**	**--**	**(11,342)**	**--**	**(11,342)**
Unallocated surplus designated for patronage distributions	**--**	**--**	**--**	**--**	**(132,911)**	**--**	**(132,911)**
Capital stock and participation certificates issued	**--**	**10,118**	**--**	**--**	**--**	**--**	**10,118**
Capital stock and participation certificates retired	**--**	**(2,692)**	**--**	**--**	**--**	**--**	**(2,692)**
Additions to capital stock and participation certificates receivable, net	**--**	**(13,857)**	**--**	**--**	**--**	**--**	**(13,857)**
Balance as of December 31, 2023	**$ 100,000**	**$ 13,202**	**$ 1,780,603**	**$ 162,937**	**$ 2,816,109**	**$ (7,275)**	**$ 4,865,576**

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,		2023		2022		2021
Cash flows from operating activities						
Net income	**$**	**477,946**	$	514,573	$	498,350
Depreciation on premises and equipment		**11,704**		11,307		9,839
Gain on sale of premises and equipment, net		**(1,275)**		(656)		(739)
Depreciation on assets held for lease		**23,825**		20,438		16,157
Gain on disposal of assets held for lease, net		**(126)**		(742)		(123)
(Increase) decrease in loans held for sale		**(11,077)**		19,882		26,645
Net amortization of premiums on loans and investment securities		**14,581**		9,421		7,318
Net amortization of yield related to loans and notes payable acquired in merger		**--**		--		212
Net amortization of yield related to investments acquired in merger		**--**		--		(2,716)
Provision for credit losses		**113,053**		(11,000)		(15,000)
Stock patronage received from Farm Credit institutions		**(40,124)**		(94,361)		(18,453)
Loss (gain) on other property owned, net		**2**		4,799		(236)
Gain on derivative activities		**(40)**		(1,151)		(220)
Changes in operating assets and liabilities:						
Increase in accrued interest receivable		**(98,567)**		(78,732)		(9,900)
Increase in other assets		**(120,933)**		(26,626)		(49,631)
Increase in accrued interest payable		**78,395**		94,727		3,041
Increase in other liabilities		**42,568**		6,589		19,580
Net cash provided by operating activities		**489,932**		468,468		484,124
Cash flows from investing activities						
Increase in loans, net		**(1,649,018)**		(2,188,378)		(1,890,262)
Purchases of investment in AgriBank, FCB, net		**(140,480)**		(76,244)		(71,321)
Purchases of investment in other Farm Credit institutions, net		**(1,878)**		(4,423)		(7,131)
Purchases of investment securities		**(560,496)**		(466,000)		(236,029)
Proceeds from investment securities		**257,577**		277,290		254,819
Sales of derivatives, net		**40**		1,151		78
Purchases of assets held for lease, net		**(33,023)**		(38,683)		(42,534)
Proceeds from sales of other property owned		**335**		5,790		3,410
Purchases of premises and equipment, net		**(31,140)**		(14,494)		(16,800)
Net cash used in investing activities		**(2,158,083)**		(2,503,991)		(2,005,770)
Cash flows from financing activities						
Increase in note payable to AgriBank, FCB, net		**1,984,228**		2,248,379		1,432,830
Proceeds from subordinated debt issuance		**--**		--		200,000
Patronage and other distributions paid		**(210,158)**		(209,722)		(204,825)
Proceeds from preferred stock issuance		**--**		--		97,580
Preferred stock dividend paid		**(12,548)**		(11,625)		(9,025)
Preferred stock redeemed		**(100,000)**		--		--
Capital stock and participation certificates issued (retired), net		**7,426**		5,040		(255)
Net cash provided by financing activities		**1,668,948**		2,032,072		1,516,305
Net change in cash and restricted cash		**797**		(3,451)		(5,341)
Cash and restricted cash at beginning of year		**5,395**		8,846		14,187
Cash and restricted cash at end of year	**$**	**6,192**	$	5,395	$	8,846
Supplemental information						
Interest paid	**$**	**812,698**	$	359,967	$	275,562
Taxes paid (refunded), net		**21,271**		9,922		(537)

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, 2024, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 56 borrower-owned cooperative lending institutions (associations). The AgriBank Farm Credit District (AgriBank District or the District) is primarily comprised of AgriBank and its District associations. The AgriBank District associations consist of 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 net 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.

A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan remains contractually past due until certain modifications are completed or until the entire amount past due, including principal, accrued interest and penalty interest incurred as the result of past due status, is collected or otherwise discharged in full.

Generally, loans are placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless 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 immediately 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 credit losses on loans. Subsequent recoveries, if any, are added to the allowance for credit losses on loans. Any cash received on nonaccrual loans is applied to reduce the carrying amount in the loan, except in those cases where the collection of the carrying amount 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).

Loan modifications may be 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. 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.

Prior to January 1, 2023, in situations where, for economic or legal reasons related to the borrower's financial difficulties, we granted a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan was classified as a troubled debt restructuring (TDR), also known as a formally restructured loan for regulatory purposes. A concession was generally granted to minimize economic loss and avoid foreclosure. Concessions varied by program and borrower and may have included interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven. Loans classified as TDRs were considered risk loans. There may have been modifications made in the normal course of business that were not 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 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 Credit Losses: 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." 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 and is referred to as the Current Expected Credit Loss (CECL) model. The allowance for credit losses (ACL) comprises the allowance for credit losses on loans, unfunded commitments, and investment securities.

Allowance for Credit Losses on Loans
Beginning January 1, 2023, the allowance for credit losses on loans (ACLL) represents the estimated current expected credit losses on the loan portfolio over the remaining contractual life of the loan portfolio adjusted for expected prepayments. The ACLL takes into consideration relevant information about

past events, current conditions, and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are not unconditionally cancellable.

The ACLL is increased through provisions for credit losses on loans and loan recoveries and is decreased through reversals of provision for credit losses on loans and loan charge-offs. The provision activity is included as part of the “Provision for credit losses” in the Consolidated Statements of Comprehensive Income.

Determining the appropriateness of the ACLL is complex and requires judgment by management about the effect of matters that are inherently uncertain. Loans are evaluated on the amortized cost basis, which includes unamortized premiums and discounts.

We employ a disciplined process and methodology to establish the ACLL that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics. When a loan does not share risk characteristics with other loans, expected credit loss is measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan’s effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. If the calculated expected credit loss is determined to be permanent, fixed or non-recoverable, the credit loss portion of the loan will be charged-off against the ACLL. For more information see the Collateral Dependent Loans policy in the significant accounting policies section of this report.

In estimating the pooled component of the ACLL that share common risk characteristics, loans are pooled and segregated into loan classes based on loan type, commodity, and internal risk rating. For reporting purposes, the portfolio is classified by loan type. We utilize a model to calculate an expected life-of-loan loss percentage for each loan pool by considering the probability of default, based on the migration of loans from performing to loss by internal risk rating, and the loss given default, based on historical experience. Loan borrower characteristics are also utilized and include internal risk ratings, delinquency status, and the remaining term of the loan, adjusted for expected prepayments.

In order to calculate this estimated migration of loans from performing to loss, we first consider multiple economic scenarios over a reasonable and supportable forecast period of three years. The economic forecasts used in our model are provided by an independent third-party on a quarterly basis, and incorporate macroeconomic variables, some of which apply to multiple loan segments and others that apply to a single loan segment. The most significant macroeconomic variables utilized include 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; real gross domestic product levels; stock market index; unemployment rates; housing price index; agricultural land values; and interest rates (prime and conventional mortgage rates). Subsequent to the forecast period, our model applies a smoothed reversion to historical loss experience to estimate losses for the remaining estimated contractual life of the portfolio.

The final credit loss estimate also considers factors not reflected in the economic forecast and historical loss experience due to the unique aspects of current conditions and expectations. These factors may include, but are not limited to: lending policies and procedures, experience and depth of lending staff, credit quality and delinquency trends, individual borrower and industry concentrations, national, regional, and local economic business conditions and developments, collateral value trends, and expected performance of specific industry sectors not reflected in the economic forecast. Consideration of these factors, as well as the imprecision inherent in the process and methodology may lead to a management adjustment to the modeled ACLL results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral.

Prior to January 1, 2023, the allowance for loan losses was an estimate of losses inherent in our loan portfolio as of the financial statement date. We determined the appropriate level of allowance for loan losses based on quarterly evaluation of factors such as loan loss history, estimated probability of default, estimated loss given default, portfolio quality, and current economic and environmental conditions.

Allowance for Credit Losses on Unfunded Commitments
Under CECL, we evaluate the need for an allowance for credit losses on unfunded commitments, which is included in “Other liabilities” in the Consolidated Statements of Condition. The related provision is included as part of the “Provision for credit losses” in the Consolidated Statements of Comprehensive Income. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the Association and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No allowance for credit losses is recorded for commitments that are unconditionally cancellable.

Allowance for Credit Losses on Investment Securities
Quarterly, we evaluate the held-to-maturity investment portfolio for credit losses. When the present value of cash flows expected to be collected from the security is less than the amortized cost basis of the security, an allowance for credit losses on investment securities is recognized and is limited to the amortized cost less the fair value. For securities that are guaranteed by the U.S. government or other governmental agencies, we have not recognized an allowance for credit losses on investment securities as our expectation of nonpayment of the amortized cost basis, based on historical losses, is zero.

Collateral Dependent Loans: Collateral dependent loans are loans secured by collateral, including but not limited to real estate, equipment, inventory, livestock, and income-producing property. We measure the expected credit losses based on the fair value of collateral at the reporting date when we determine that foreclosure is probable. Under the fair value practical expedient measurement approach, the expected credit losses are based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. In accordance with our appraisal policy, the fair value of collateral-dependent loans is based upon in-house or independent third-party appraisals or on in-house collateral valuations. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan’s expected credit loss measurements and, where appropriate, records an adjustment.

Additionally, when a borrower is experiencing financial difficulty, we apply the fair value practical expedient measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral.

Accrued Interest Receivable: Accrued interest receivable is presented separately in the Consolidated Statements of Condition and includes accrued interest on loans and investment securities.

Investment Securities: We are authorized by the FCA to purchase and hold certain types of investments. As we have the positive intent and ability to hold these investments to maturity, they have been classified as held-to-maturity and are carried at amortized cost, net of allowance for credit losses on investment securities upon the adoption of CECL. Purchased premiums and discounts are amortized or accreted using the interest method over the terms of the respective securities.

We consider an investment security contractually past due when any payment of principal or interest required by the investment security is not received on or before the due date. The accrual of interest income is suspended for investments that are in default or for which the collectability of principal or interest is doubtful. When an investment security is in default and the interest is determined to be uncollectible, we immediately reverse any accrued interest.

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 and operating leases. Under finance 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 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 credit losses on loans. 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 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. We evaluate the need for an allowance for credit losses on unfunded commitments, which is included in "Other liabilities" in the Consolidated Statements of Condition. For more information see the allowance for credit losses on unfunded commitments policy in the significant accounting policies section of this report.

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 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 was effective for our first quarter of 2023 and early adoption was permitted. Additionally, the FASB issued several updates during 2019 refining and clarifying Topic 326.	This guidance replaced the 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 and related updates as of January 1, 2023. As a result of adoption of this guidance, the allowance for credit losses on loans decreased by $14.3 million and an allowance for credit losses on 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 was effective at the same time that ASU 2016-13 was adopted.	This guidance eliminated 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 modified certain disclosures beginning in 2023.
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 3: LOANS HELD TO MATURITY AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

Loans by Type

(dollars in thousands) As of December 31,	**2023**		2022		2021	
	Amortized Cost	%	Amortized Cost	%	Amortized Cost	%
Real estate mortgage	**$ 14,413,534**	**51.0%**	$ 13,930,238	52.1%	$ 13,410,996	54.8%
Production and intermediate-term	**4,809,634**	**17.0%**	4,385,912	16.4%	4,115,583	16.8%
Agribusiness	**5,758,154**	**20.4%**	5,637,741	21.1%	4,604,844	18.8%
Other	**3,292,181**	**11.6%**	2,765,962	10.4%	2,358,744	9.6%
Total	**$ 28,273,503**	**100.0%**	$ 26,719,853	100.0%	$ 24,490,167	100.0%

The other category is primarily 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).

Throughout Note 3 accrued interest receivable on loans of $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.

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, 2023, amortized cost on loans plus commitments, reduced by government guaranteed portions of loans, to our ten largest borrowers totaled an amount equal to 3.1% 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

(in thousands)	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2023	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	**$ --**	**$ (1,453,100)**	**$ 285,740**	**$ (687,759)**	**$ 3,825,375**	**$ (50,200)**	**$ 4,111,115**	**$ (2,191,059)**
Production and intermediate-term	**--**	**(1,040,422)**	**523,610**	**(1,683,086)**	**2,676,764**	**(15,441)**	**3,200,374**	**(2,738,949)**
Agribusiness	**--**	**(794,124)**	**2,201,962**	**(3,337,595)**	**1,362,106**	**(38,213)**	**3,564,068**	**(4,169,932)**
Other	**--**	**(274,437)**	**3,638,426**	**(1,107,532)**	**41,656**	**--**	**3,680,082**	**(1,381,969)**
Total	**$ --**	**$ (3,562,083)**	**$ 6,649,738**	**$ (6,815,972)**	**$ 7,905,901**	**$ (103,854)**	**$ 14,555,639**	**$ (10,481,909)**

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2022[1]	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ --	$ (1,228,433)	$ 309,857	$ (576,753)	$ 3,381,316	$ (44,546)	$ 3,691,173	$ (1,849,732)
Production and intermediate-term	--	(923,479)	450,767	(1,605,469)	2,377,351	(24,719)	2,828,118	(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)	$ 7,160,847	$ (86,138)	$ 12,902,431	$ (8,407,344)

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2021[1]	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ --	$ (1,206,777)	$ 335,028	$ (426,253)	$ 3,314,657	$ (36,661)	$ 3,649,685	$ (1,669,691)
Production and intermediate-term	--	(780,393)	314,061	(1,200,297)	1,698,975	(21,244)	2,013,036	(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)	$ 6,181,380	$ (61,259)	$ 10,819,587	$ (6,697,557)

[1]The Association revised December 31, 2022, participations purchased within "Non-Farm Credit Institutions" in Real Estate from $3,386,172 to $3,381,316 and in Production and intermediate-term from $2,685,601 to $2,377,351. We also revised December 31, 2021, participations purchased within "Non-Farm Credit Institutions" in Real Estate from $3,325,916 to $3,314,657 and in Production and intermediate-term from $1,896,879 to $1,698,975. All updates are equally reflected in the respective Total Participations Purchased balances. All adjustments were made to correct immaterial errors in the disclosure as originally presented in the prior years' footnotes.

Credit Quality and Delinquency

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 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 periodically in accordance with our policy, or when a credit action is taken.

We utilize the FCA Uniform Classification System, which categorizes loans into five credit quality categories:

- Acceptable – loans are non-criticized loans representing the highest quality. They are expected to be fully collectible.
- 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, 2023, 2022, or 2021.

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 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) 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 year ended December 31, 2023									
Real estate mortgage	$ --	$ --	$ --	$ 3	$ 258	$ --	$ --	$ --	$ 261
Production and intermediate-term	203	190	--	77	6,487	256	5,059	8,637	20,909
Agribusiness	--	--	--	34,040	--	11,810	2,220	909	48,979
Other	491	--	--	458	1,001	--	--	--	1,950
Total	$ 694	$ 190	$ --	$ 34,578	$ 7,746	$ 12,066	$ 7,279	$ 9,546	$ 72,099

Credit Quality of Loans at Amortized Cost[1]

(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%

[1]Prior to the adoption of CECL, which was effective January 1, 2023, accruing loans included accrued interest receivable.

Aging Analysis of Loans at Amortized Cost[1]

(in thousands) **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**

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

[1]Prior to the adoption of CECL, which was effective January 1, 2023, accruing loans included accrued interest receivable.

Nonaccrual Loans

Nonaccrual Loans by Loan Type

(in thousands) As of December 31,	**2023**	2022	2021
Real estate mortgage	**$ 96,298**	$ 46,340	$ 69,125
Production and intermediate-term	**50,546**	29,632	30,132
Agribusiness	**54,289**	17,935	13,088
Other	**6,569**	1,769	2,078
Total	**$ 207,702**	$ 95,676	$ 114,423

Additional Nonaccrual Loans Information

	As of December 31, 2023	**For the year ended December 31, 2023**
(in thousands)	Amortized Cost Without Allowance	Interest Income Recognized
Real estate mortgage	**$ 62,919**	**$ 1,831**
Production and intermediate-term	**26,709**	**1,318**
Agribusiness	**1,622**	**--**
Other	**1,769**	**83**
Total	**$ 93,019**	**$ 3,232**

Reversals of interest income on loans that moved to nonaccrual status were $5.6 million for the year ended December 31, 2023.

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.

Loan Modifications at Amortized Cost[1]

(dollars in thousands) **For the year ended December 31, 2023**	Interest Rate Reduction	Term Extension	Payment Deferral	Combination - Interest Rate Reduction and Term Extension	Total	Percentage of Total Loans
Real estate mortgage	**$ 7,951**	**$ 1,271**	**$ 1,439**	**$ --**	**$ 10,661**	**0.04%**
Production and intermediate-term	**--**	**28,647**	**428**	**537**	**29,612**	**0.10%**
Agribusiness	**--**	**10,897**	**2,430**	**--**	**13,327**	**0.05%**
Total	**$ 7,951**	**$ 40,815**	**$ 4,297**	**$ 537**	**$ 53,600**	**0.19%**
Loan modifications granted as a percentage of total loans	**0.03%**	**0.14%**	**0.02%**	**0.00%**	**0.19%**	

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

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

Financial Effect of Loan Modifications

(dollars in thousands) **For the year ended December 31, 2023**	Weighted Average Interest Rate Reduction	Weighted Average Term Extension (months)	Weighted Average Payment Deferral (months)	Principal Forgiveness ($)
Real estate mortgage				
Interest rate reduction	**4.5%**			
Term extension		**95**		
Payment deferral			**9**	
Principal forgiveness				**119**
Production and intermediate-term				
Term extension		**7**		
Payment deferral			**5**	
Principal forgiveness				**838**
Combination - interest rate reduction and term extension	**3.6%**	**75**		
Agribusiness				
Term extension		**13**		
Payment deferral			**11**	
Combination - term extension and principal forgiveness		**30**		**560**

Loan Modifications that Occurred Within the Previous 12 Months that Subsequently Defaulted[1]

(in thousands) **As of December 31, 2023**	Term Extension
Production and intermediate-term	**$ 2,960**
Agribusiness	**65**
Total	**$ 3,025**

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

Payment Status of Loan Modifications that Occurred Within the Previous 12 Months at Amortized Cost[1]

(in thousands) **As of December 31, 2023**	Not Past Due or Less than 30 Days Past Due	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	**$ 10,497**	**$ 164**	**$ --**
Production and intermediate-term	**23,537**	**3,115**	**2,960**
Agribusiness	**13,262**	**--**	**65**
Total	**$ 47,296**	**$ 3,279**	**$ 3,025**

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

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the period were $16.0 million at December 31, 2023.

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 December 31, 2023, 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) As of December 31,	**2023**	2022	2021
Allowance for Credit Losses on Loans			
Balance at beginning of year	**$ 52,663**	$ 63,700	$ 89,157
Cumulative effect of change in accounting principle	**(14,328)**	--	--
Provision for credit losses on loans	**108,628**	(11,000)	(15,000)
Loan recoveries	**766**	386	274
Loan charge-offs	**(72,099)**	(423)	(10,731)
Balance at end of year	**$ 75,630**	$ 52,663	$ 63,700
Allowance for Credit Losses on Unfunded Commitments			
Balance at beginning of year	**$ --**	$ --	$ --
Cumulative effect of change in accounting principle	**4,192**	--	--
Provision for credit losses on unfunded commitments	**4,425**	--	--
Balance at end of year	**$ 8,617**	$ --	$ --
Total allowance for credit losses	**$ 84,247**	$ 52,663	$ 63,700

During the year ended December 31, 2023, in order to increase the allowance for credit losses on loans, primarily related to higher specific reserves required on a limited number of loans being moved to nonaccrual status, we recorded a $108.6 million provision for credit losses on loans expense. As the credit quality of those loans decreased, their respective allowance for credit losses on loans increased. Also contributing to the increase, although to a lesser extent, were forecasts of deteriorating macroeconomic conditions within the swine and grain sectors.

The resulting increase in the total allowance for credit losses on loans was partially offset by three factors: 1) Charge-offs taken during the period on a limited number of loans, resulting in the reduction of $72.1 million of allowance for credit losses on loans, 2) The cumulative effect adjustment (decrease) of $14.3 million recorded as a result of the adoption of CECL on January 1, 2023, as discussed in Note 2, and 3) A decrease in our allowance for credit losses on loans due to our asset pool program activity during the period. The allowance for credit losses on loans sold to AgriBank as part of the asset pool program activity on September 1, 2023, was removed at the time of the sale.

Changes in Allowance for Credit Losses on Loans by Loan Type

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for credit losses on loans:					
Balance as of December 31, 2022	**$ 21,663**	**$ 13,740**	**$ 13,363**	**$ 3,897**	**$ 52,663**
Cumulative effect of change in accounting principle	**(6,731)**	**(3,619)**	**(2,884)**	**(1,094)**	**(14,328)**
Provision for credit losses on loans	**6,914**	**27,481**	**68,657**	**5,576**	**108,628**
Loan recoveries	**90**	**231**	**428**	**17**	**766**
Loan charge-offs	**(261)**	**(20,909)**	**(48,979)**	**(1,950)**	**(72,099)**
Balance as of December 31, 2023	**$ 21,675**	**$ 16,924**	**$ 30,585**	**$ 6,446**	**$ 75,630**

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for credit losses on loans:					
Balance as of December 31, 2021	$ 32,340	$ 15,257	$ 11,971	$ 4,132	$ 63,700
Provision for credit losses on loans	(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

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for credit losses on loans:					
Balance as of December 31, 2020	$ 46,564	$ 26,164	$ 11,707	$ 4,722	$ 89,157
Provision for credit losses on loans	(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

Previously Required Disclosures

The disclosures in this section were required prior to January 1, 2023. Upon the adoption of CECL, these disclosures are no longer required prospectively.

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.

Risk Loan Information

(in thousands) As of December 31,	2022	2021
Nonaccrual loans:		
Current as to principal and interest	$ 59,912	$ 81,160
Past due	35,764	33,263
Total nonaccrual loans	95,676	114,423
Accruing restructured loans	9,138	6,931
Accruing loans 90 days or more past due	8,356	9,091
Total risk loans	$ 113,170	$ 130,445
Volume with specific allowance	$ 26,336	$ 46,287
Volume without specific allowance	86,834	84,158
Total risk loans	$ 113,170	$ 130,445
Total specific allowance	$ 11,767	$ 18,669

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

Note: Accruing loans include accrued interest receivable.

Additional Impaired Loan Information by Loan Type

	As of December 31, 2022			For the year ended December 31, 2022	
(in thousands)	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	$ 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			For the year ended December 31, 2021	
	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
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

[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.

Year End Recorded Investments by Loan Type

(in thousands) As of December 31, 2022	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
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	$ 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

As of December 31, 2021	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
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	$ 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

Troubled Debt Restructurings: Prior to the adoption of CECL, a restructuring of a loan constituted a troubled debt restructuring, also known as formally restructured, if the creditor for economic or legal reasons related to the borrower's financial difficulties granted a concession to the borrower that it would not otherwise consider. Concessions varied by program and were borrower-specific and could include interest rate reductions, term extensions, payment deferrals, or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven.

TDR Activity

(in thousands) For the year ended December 31,	2022		2021	
	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	$ --	$ --	$ 1,490	$ 2,165
Production and intermediate-term	28	36	4,078	3,554
Total	$ 28	$ 36	$ 5,568	$ 5,719

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, or 2021, in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding

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

Note: Accruing loans include accrued interest receivable.

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 held investment securities of $1.6 billion, $1.3 billion, and $1.1 billion at December 31, 2023, 2022, and 2021, 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 investment securities, except $60.2 million, $43.9 million, and $55.2 million, were fully guaranteed by Farmer Mac, SBA, or USDA at December 31, 2023, 2022, and 2021, respectively. Premiums paid to purchase the investment are not guaranteed and are amortized as a reduction of interest income.

Effective January 1, 2023, we adopted CECL, which amended the previous other-than-temporary impairment model for investment securities to incorporate an allowance for credit losses on investment securities. There was no allowance for credit losses on investment securities at December 31, 2023. Prior to January 1, 2023, the investment portfolio was evaluated for other-than-temporary impairment. No investments were impaired at December 31, 2022, or 2021.

Additional Investment Securities Information

(dollars in thousands) **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%**

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%

Accrued interest receivable on investment securities is presented in “Accrued interest receivable” in the Consolidated Statements of Condition and was $20.7 million, $14.8 million, and $12.6 million at December 31, 2023, 2022, and 2021, respectively.

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $70.3 million, $33.1 million, and $31.1 million in 2023, 2022, and 2021, respectively.

Contractual Maturities of Investment Securities

(in thousands) **As of December 31, 2023**		Amortized Cost		Fair Value
Less than one year	**$**	**20**	**$**	**20**
One to five years		**50,065**		**49,816**
Five to ten years		**472,421**		**465,381**
More than ten years		**1,070,179**		**1,002,443**
Total	**$**	**1,592,685**	**$**	**1,517,660**

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

Previously Required Disclosures

The disclosures in this section were required prior to January 1, 2023. Upon the adoption of CECL, these disclosures are no longer required prospectively.

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)

As of December 31, 2021	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	Greater than 12 months Fair Value	Greater than 12 months 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)

NOTE 6: INVESTMENT IN AGRIBANK

As of December 31, 2023, we were required by AgriBank to maintain an investment equal to 3.0% of the average quarterly balance of our note payable.

We are also required to hold AgriBank stock based on a contractual agreement under any asset pool program in which we participate. The required investment amount varies by asset 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 at a variable rate as governed by a GFA and substantially all of our assets serve as collateral.

Note Payable Information

(dollars in thousands)

As of December 31,	**2023**	2022	2021
Line of credit	**$ 35,000,000**	$ 35,000,000	$ 27,000,000
Outstanding principal under the line of credit	**26,133,298**	24,149,070	21,900,691
Interest rate	**3.9%**	3.0%	1.3%

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 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, 2023, 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 was returned. Their obligations to pay for the capital stock or participation certificates is 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,	**2023**	2022	2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**12.6%**	13.2%	13.9%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**13.1%**	14.0%	14.6%	6.0%	2.5%	8.5%
Total capital ratio	**14.1%**	14.9%	15.8%	8.0%	2.5%	10.5%
Permanent capital ratio	**13.9%**	14.8%	15.7%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**13.1%**	14.1%	14.9%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**11.9%**	12.5%	14.7%	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 credit losses on loans 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 credit losses on loans 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,	**2023**	2022	2021
Class B common stock (at-risk)	**8,934,567**	7,584,259	6,636,168
Class E participation certificates (at-risk)	**521,494**	386,568	289,962
Series A-1 preferred stock	**--**	100,000	100,000
Series B-1 preferred stock	**100,000**	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 was held or transferred in blocks having an aggregate par value of not less than $250,000 and required an investor to 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, were non-cumulative and paid quarterly in arrears on the 15th day of February, May, August, and November, beginning on August 15, 2013. Dividends accrued at a fixed annual rate of 6.75% from the date of issuance through August 14, 2023, and beginning on August 15, 2023, accrued 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 was not readily available at this time, a new 3-month rate was determined as outlined in the preferred stock documentation. The Series A-1 preferred stock was not mandatorily redeemable at any time. However, the Series A-1 preferred stock was redeemable at par value, in whole or in part, at our option, quarterly beginning on August 15, 2023. On November 15, 2023, we redeemed the entire $100.0 million of Series A-1 noncumulative perpetual preferred stock.

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 B-1 preferred stock is 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 B-1 preferred stock has the same ranking and is senior to outstanding Class B, Class C, or Class D common stock, Class E participation certificates, and patronage equities. Series B-1 preferred stockholders do not have any voting rights, but may appoint two board observers after six unpaid dividend payments. The Series B-1 preferred stock has 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, 2023, 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 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 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 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 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 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 $185.0 million at December 31, 2023, for our cash patronage and nonqualified patronage programs. The cash patronage distributions of $133.0 million are expected to be paid in cash during 2024. The redemptions of $52.0 million of the nonqualified equities issued to former stockholders 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 2024, and will also include $443 thousand of other retirements. 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 $149.3 million were paid in cash during 2023. The redemptions of $52.0 million of the nonqualified equities issued to former stockholders of AgStar, 1st FCS, and Badgerland were paid in the first quarter of 2023, and also included $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 stockholders of AgStar, 1st FCS, and Badgerland were paid in the first quarter of 2022, and also included $1.2 million 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, 2023, 2022, or 2021. 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 $11.3 million, $8.5 million, and $7.3 million of distributions on approved transactions in 2023, 2022, and 2021, 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.

NOTE 10: INCOME TAXES

Provision for Income Taxes

Provision for Income Taxes

(dollars in thousands)

For the year ended December 31,		**2023**		2022		2021
Current:						
Federal	**$**	**17,304**	$	9,771	$	119
State		**4,679**		4,706		2,527
Total current	**$**	**21,983**	$	14,477	$	2,646
Deferred:						
Federal	**$**	**5,002**	$	8,749	$	17,074
State		**(120)**		525		3,467
Total deferred		**4,882**		9,274		20,541
Provision for income taxes	**$**	**26,865**	$	23,751	$	23,187
Effective tax rate		**5.3%**		4.4%		4.4%

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

(in thousands)

For the year ended December 31,		**2023**		2022		2021
Federal tax at statutory rates	**$**	**106,010**	$	113,048	$	109,523
State tax, net		**2,677**		2,474		2,740
Patronage distributions		**(6,432)**		(9,880)		(10,201)
Effect of non-taxable entity		**(78,930)**		(84,432)		(80,057)
Other prior year adjustments		**3,540**		2,541		1,182
Provision for income taxes	**$**	**26,865**	$	23,751	$	23,187

Refer to the income taxes policy in Note 2 for information on exemptions related to our non-taxable entity.

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,	2023	2022	2021
Allowance for credit losses on loans	**$ 12,759**	$ 8,079	$ 8,340
Accrued incentive	**1,541**	2,008	1,638
Leasing related, net	**(65,059)**	(57,375)	(46,026)
Accrued patronage income not received	**(6,689)**	(2,789)	(5,885)
Accrued pension asset	**(8,898)**	(9,359)	(7,999)
Other assets	**2,847**	3,648	3,437
Other liabilities	**(711)**	(747)	(766)
Deferred tax liabilities, net	**$ (64,210)**	$ (56,535)	$ (47,261)
Gross deferred tax assets	**$ 17,147**	$ 13,735	$ 13,415
Gross deferred tax liabilities	**$ (81,357)**	$ (70,270)	$ (60,676)

A valuation allowance for the deferred tax assets was not necessary at December 31, 2023, 2022, or 2021.

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 $2.2 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 2020. In addition, we have concluded that we have taken no uncertain income tax positions at December 31, 2023, 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 2023 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,		2023		2022		2021
Unfunded liability	**$**	**31,065**	$	87,688	$	46,421
Projected benefit obligation		**1,245,052**		1,204,130		1,500,238
Fair value of plan assets		**1,213,987**		1,116,442		1,453,817
Accumulated benefit obligation		**1,140,936**		1,083,610		1,384,554
For the year ended December 31,		**2023**		**2022**		**2021**
Total plan expense	**$**	**55,535**	$	30,475	$	28,048
Our allocated share of plan expenses		**16,030**		8,941		8,629
Contributions by participating employers		**45,000**		90,385		90,000
Our allocated share of contributions		**13,132**		25,357		25,280

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 $71.3 million in 2023. 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 2024 is $40.0 million. Our allocated share of these pension contributions is expected to be $11.6 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,		2023		2022		2021
Our unfunded liability	**$**	**31,170**	$	30,373	$	32,308
For the year ended December 31,		**2023**		**2022**		**2021**
Our cash contributions	**$**	**1,539**	$	1,108	$	1,101

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 these plans, included in “Salaries and employee benefits” in the Consolidated Statements of Comprehensive Income, were $12.6 million, $11.5 million, and $10.6 million in 2023, 2022, and 2021, 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, 2023, involved more than a normal risk of collectability. There were no material related party transactions other than the loan transactions disclosed in the related party loans information chart.

Related Party Loans Information

(in thousands)

As of December 31,		**2023**		2022		2021
Total related party loans	**$**	**30,429**	$	32,889	$	47,343
For the year ended December 31,		**2023**		2022		2021
Advances to related parties	**$**	**16,576**	$	20,872	$	32,733
Repayments by related parties		**18,025**		21,888		37,311

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 $187.0 million, $172.4 million, and $171.7 million in 2023, 2022, and 2021, respectively. Patronage income for 2023, 2022, and 2021 was received in cash and AgriBank stock.

In addition, we received compensation from AgriBank for servicing loans of $5.3 million, $4.2 million, and $3.8 million in 2023, 2022, and 2021, respectively.

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

We purchase various business services, primarily financial reporting, from AgriBank. We also purchase financial and retail information technology, collateral, tax reporting, and insurance services from SunStream Business Services (SunStream). In addition, we 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 following table 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,		**2023**		2022		2021
Investment in AgriBank	**$**	**1,103,132**	$	922,546	$	751,956
Investment in AgDirect, LLP		**37,870**		35,734		31,311
Investment in SunStream		**5,625**		5,625		5,625
Investment in Foundations		**154**		154		154
For the year ended December 31,		**2023**		2022		2021
AgriBank District purchased services	**$**	**8,198**	$	8,037	$	6,023

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, 2023, we had a total of $7.5 billion of commitments to extend credit and unexercised commitments related to standby letters of credit. Additionally, we had $112.3 million of issued standby letters of credit and $14.3 million of other commitments as of December 31, 2023.

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 have off-balance sheet credit risk because their contractual amounts are not reflected on the balance sheet until funded or drawn upon. 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 (25%) 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. The outstanding balance on the SunStream line of credit at December 31, 2023, was $16.3 million. 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. As of December 31, 2023, our total commitment is $222.0 million, of which $133.1 million is unfunded.

NOTE 14: DERIVATIVES

We use forward commitments to sell TBAs at specified prices to economically hedge the interest rate risk on 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, 2023, we had $750 thousand of forward commitments to sell, hedging $16.1 million of mortgage loans held for sale and $297 thousand of unfunded mortgage loan commitments. 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. 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 $129 thousand, $1.3 million, and $721 thousand and losses of $88 thousand, $175 thousand, and $501 thousand relating to net fair value adjustments and sales in 2023, 2022, and 2021, 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 $16.1 million, $5.0 million, and $24.9 million, as of December 31, 2023, 2022, and 2021, 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 2023, 2022, or 2021.

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 $750 thousand, $2.0 million, and $8.5 million, as of December 31, 2023, 2022, and 2021, 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 inputs. Net losses related to TBAs sold, combined with fair value gains on the TBAs, resulted in a net gain of $41 thousand, $1.2 million, and $220 thousand in 2023, 2022, and 2021, respectively. 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:

Loans Held to Maturity: Represents the carrying amount of loans evaluated individually for credit losses and are 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 December 31, 2023	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Loans held to maturity	**$ --**	**$ --**	**$ 79,634**	**$ 79,634**
Other property owned	**--**	**--**	**1,486**	**1,486**

As of December 31, 2022	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Loans held to maturity	$ --	$ --	$ 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
Loans held to maturity	$ --	$ --	$ 28,999	$ 28,999
Other property owned	--	--	15,876	15,876

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:

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

(in thousands)

As of December 31, 2023	Total Carrying Amount	Fair Value Measurement Using Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash	**$ 2,400**	**$ 2,400**	**$ --**	**$ --**	**$ 2,400**
Net loans held to maturity	**28,122,031**	**--**	**--**	**26,745,288**	**26,745,288**
Investment securities	**1,592,685**	**--**	**916,051**	**601,609**	**1,517,660**
Financial liabilities:					
Note payable to AgriBank, FCB	**26,133,298**	**--**	**--**	**25,003,273**	**25,003,273**
Subordinated debt	**200,000**	**--**	**--**	**132,750**	**132,750**

As of December 31, 2022	Total Carrying Amount	Fair Value Measurement Using Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash	$ 2,400	$ 2,400	$ --	$ --	$ 2,400
Net 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

As of December 31, 2021	Total Carrying Amount	Fair Value Measurement Using Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash	$ 2,400	$ 2,400	$ --	$ --	$ 2,400
Net 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

NOTE 16: SUBSEQUENT EVENTS

We have evaluated subsequent events through February 29, 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 2023 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	Location	Description	Usage
Illinois			**Wisconsin**		
Aledo	Owned	Branch	Arcadia	Leased	Branch
Bloomington	Owned	Branch	Baldwin	Owned	Branch
Bourbonnais	Leased	Branch	Beaver Dam	Leased	Branch
Carthage	Leased	Contact Office	Burlington	Owned	Contact Office
Edwards	Owned	Branch	Dodgeville	Owned	Branch
Freeport	Owned	Branch	Eau Claire	Leased	Branch
Geneseo	Owned	Branch	Fond du Lac	Owned	Branch
Macomb	Owned	Branch	Janesville	Owned	Branch
Monmouth	Owned	Branch	Johnson Creek	Owned	Branch
Morton	Owned	Branch	Lancaster	Owned	Branch
Mt. Sterling	Leased	Contact Office	Madison	Leased	Branch
Naperville	Leased	Branch	Prairie du Sac	Owned	Branch
Oregon	Owned	Branch	Rice Lake	Owned	Branch
Ottawa	Owned	Branch	Sparta	Owned	Branch
Pontiac	Leased	Branch	Sun Prairie	Owned	Corporate Headquarters
Princeton	Owned	Branch			
Quincy	Owned	Branch			
Rock Falls	Leased	Branch			
Sycamore	Leased	Branch			
Minnesota			**Other**		
Blue Earth	Leased	Branch	Nampa, ID	Leased	Contact Office
Duluth	Leased	Contact Office	Des Moines, IA	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			

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, 2023.

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, 2023, including business experience during the last five years

Name	Principal occupation, business experience, and other business affiliations
Stephanie Wise **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
Dan Erickson **Vice Chairperson** **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
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, wetland bank credit generation 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:** 2023 - 2027	**Principal occupation:** Self-employed grain and livestock farmer
Ann Broome **Outside Director** **Current Term:** 2023 - 2027	**Principal occupation:** Self-employed Human Resources Consultant **Other business affiliations:** President: Sienna Group, Human Resources Consulting
Allyn Buhrow **Current Term:** 2023 - 2027	**Principal occupation:** Self-employed corn and soybean farmer and seed sales agent **Other business affiliations:** Member: Illinois Committee for Agricultural Education, an education advisory committee Director: AgriBank District Farm Credit Council, a trade association representing the AgriBank District

Name	Principal occupation, business experience, and other business affiliations
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
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
Sarah Jansen **Outside Director** **Current Term:** 2023 - 2027	**Business experience:** Retired Chief Information Officer of Thrivent Financial **Other business affiliations:** President: Women's Fund for the Fox Valley Region, a non-profit supporting girls and women
David Peters **Current Term:** 2020 - 2024	**Principal occupation:** Self-employed wheat, soybean, and corn farmer **Other business affiliations:** Trustee: Manteno Township Fire Protection District
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: 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
Tracy Travis **Current Term:** 2023 - 2027	**Principal occupation:** Self-employed wheat, soybean, and corn farmer Owner and Manager: ImpacTT Collective LLC, a business consultation service provider **Business experience:** Marketing: Credit Union National Association from 2003 to 2022 **Other business affiliations:** Director: Rural Investment to Protect Our Environment, an agricultural advocate Board Member: School District of Cambridge
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 2023, the Board of Directors' per diem rate was $555 per day plus travel time compensation for each meeting attended. The per diem rate was increased to $575 per day, effective January 1, 2024. The Board of Directors regular monthly meetings are normally two days in length. In addition, they hold two, three-day planning sessions annually. In 2023, each Director received a $1,900 per month retainer fee, with the exception of the Board chairperson who received a $2,400 per month retainer fee and the Board vice chairperson and Board committee chairpersons who received a $2,100 per month retainer fee. Effective January 1, 2024, the per month retainer fee was increased to $2,000 for each Director, with the exception of the Board chairperson retainer which increased to $2,500 per month, and the Board vice chairperson and Board committee chairpersons retainers increasing to $2,200 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 2023 follows:

Name	Number of Days Served: Board Meetings	Number of Days Served: Other Official Activities	Compensation Paid for Service on a Board Committee	Name of Committee	Total Compensation Paid in 2023[1]
Akin Agar[3]	5	13	$ 555	Enterprise Risk	$ 52,425
Ashley Ahl	15	27	3,330	Audit and Finance	71,733
Rodney Bosma	15	32	3,330	Audit and Finance	77,593
Ann Broome	15	25	2,220	Compensation and Governance	102,324
Allyn Buhrow	15	25	2,220	Enterprise Risk	72,127
Mark Cade	15	31	2,220	Compensation and Governance	81,605
Kaye Compart[2]	--	--	--		12,817
Dan Erickson	15	35	2,220	Enterprise Risk	84,206
Tim Evert[3]	12	23	1,665	Enterprise Risk	63,507
Larry Fischer	15	26	2,220	Compensation and Governance	73,528
Dale Holmgren	15	27	2,220	Enterprise Risk	76,986
Sarah Jansen	1	2	555	Enterprise Risk	4,351
Greg Nelson[2]	--	--	--		20,180
Roger Newell[2]	--	--	--		12,817
David Peters	15	36	3,330	Audit and Finance	93,725
Greg Pollesch	15	26	3,330	Audit and Finance	73,811
Dan Scheider	15	32	3,330	Audit and Finance	60,439
Tracy Travis	3	2	555	Audit and Finance	8,052
Kim Wedig	15	34	2,220	Compensation and Governance	80,027
Stephanie Wise	12	28	2,220	Compensation and Governance	80,568
					$ 1,202,821

[1] Total compensation paid in 2023 includes total per diem compensation, monthly retainer fees, tax fringe benefits, and variable retainer fees earned during 2022 and paid in 2023.

[2] No longer on the Board as of December 31, 2022. Compensation paid during 2023 was for their variable retainer earned during 2022.

[3] No longer on the Board as of December 31, 2023.

Senior Officers

Senior Officers as of December 31, 2023, including business experience during the last five years

Name and Position	Business experience and other business affiliations
Jase Wagner President and Chief Executive Officer	**Business experience:** President and Chief Executive Officer since January 2023 Chief Financial Officer from July 2017 to December 2022 **Other business affiliations:** Member: Farm Credit Foundations Pension Plan Trust Committee Board Member of SunStream Business Services, a technology and other business services provider
Betsy Horton Chief Financial Officer	**Business experience:** Chief Financial Officer since May 2023 Chief Financial Officer of S&W Seed Company from November 2021 to April 2023 Chief Financial Officer of Miller Milling Company from November 2018 to November 2021 **Other business affiliations:** Board Member of Rahr Corporation, a producer and distributor of malt products Board Member of S&W Seed Company, a producer of agricultural seed Board Member and Treasurer of Project Success, an education non-profit that helps high school and middle school students plan for their futures
Matt Ginder Chief Marketplace Development Officer	**Business experience:** Chief Marketplace Development Officer since January 2023 Chief Core Markets Officer from July 2017 to December 2022 **Other business affiliations:** Trustee on the Village Board of Goodfield, IL, government
John Hemstock Chief Human Resources Officer	**Business experience:** Chief Human Resources Officer since January 2023 Chief Talent and Technology Officer from July 2017 to December 2022

Name and Position	Business experience and other business affiliations
Terry Hinds Chief New Markets and Assurance Officer	**Business experience:** Chief New Markets and Assurance Officer since January 2023 Chief Asset Quality and Assurance Officer from January 2020 to December 2022 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 Administrative Officer and General Counsel	**Business experience:** Chief Administrative Officer and General Counsel since January 2023 Chief Lending Operations Officer and General Counsel from July 2017 to December 2022 **Other business affiliations:** Board Member of Farm Credit Foundations, a pension and benefits service provider Board Member of Farm Credit Captive Insurance Company, an insurance provider for Farm Credit System entities
John Monson Chief Mission Officer	**Business experience:** Chief Mission Officer since January 2023 Chief Mission and Marketing Officer from July 2017 to December 2022
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 Minnesota AgriGrowth Council, a non-profit organization that advocates for the food and agriculture industry Board Member of The Center for Food Integrity, a non-profit focusing on helping the food system earn consumer trust
Susan Sachatello Chief Marketing Officer	**Business experience:** Chief Marketing Officer since May 2023 Chief Growth Officer of Allianz Insurance from September 2021 to October 2022 Head of Marketing and Distribution of Principal Financial Group from March 2020 to August 2021 Chief Marketing and Customer Experience Officer of TruStage Insurance Agency from September 2011 to February 2020 **Other business affiliations:** Board Member of DigsFact, a provider of technology that enables remote estimates of home insurance claims
Jerry Wiese Chief Information Officer	**Business experience:** Chief Information Officer since July 2017

Jerry Wiese has announced his plan to retire from Compeer in April 2024. Bruce Feist joined Compeer on February 19, 2024, as our Chief Information Officer (CIO) Elect, and will formally become Compeer's new CIO on April 1, 2024.

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 $416 thousand, $330 thousand, and $173 thousand in 2023, 2022, and 2021, 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, 2024, or at any time during 2023.

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 2023 were $559 thousand. Our engagement letter commits to reimbursing the external auditor for reasonable out-of-pocket expenses as incurred for travel. In addition, we incurred $10 thousand for tax compliance services. We also incurred $30 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 (YBS)

Effective January 1, 2024, the annual gross sales threshold for a small farmer, rancher, or producer or harvester of aquatic products increased from $250 thousand to $350 thousand and changed from measuring gross sales to gross cash farm income. Effective February 1, 2024, the FCA amended certain YBS regulations which now require banks that fund the direct-lender associations to annually review and approve each association's YBS programs. The amended regulations also require direct-lender associations to enhance their YBS programs within their strategic plans. None of these changes impact the disclosures as of December 31, 2023.

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 and 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 date the loan is originally made.
- Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the date the loan is originally made.
- 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 at the date the loan is originally made.

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.

2023 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 approximately 20 clients throughout the Compeer territory. The Client Advisory Group met twice in-person in 2023 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 are two internal Compeer committees tasked with overseeing the program. First, there is a Board of Directors committee consisting of at least 5 Directors. The second is a team member committee composed of team members from across the organization to ensure the needs of the client are being considered from all angles. Both committees meet at least quarterly, with a portion of the meetings spent jointly with both the Directors and team members. Representation from both committees is involved with the external Client Advisory Group.

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. One key sponsorship is the Cultivating Masters program, which is a mentoring program linking young farmers to Prairie Farmer's Master Farmers.

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

2023 Results
(dollars in millions)

	Total Number of Loans		Total Volume of Loans		Total Number of New Loans		Total Volume of New Loans	
	#	%	$	%	#	%	$	%
Young Farmers	18,013	21.9%	4,162	11.9%	5,255	20.1%	1,339	11.1%
Beginning Farmers	24,912	30.3%	6,694	19.1%	6,578	25.2%	1,737	14.4%
Small Farmers	35,495	43.1%	5,795	16.5%	9,881	37.9%	1,191	9.9%

2023 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	21.9%	20.8%	11.9%	12.5%	20.1%	19.3%	11.1%	11.5%
Beginning Farmers	30.3%	29.0%	19.1%	19.0%	25.2%	24.5%	14.4%	16.3%
Small Farmers	43.1%	44.8%	16.5%	17.5%	37.9%	40.5%	9.9%	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. The interest rate paid on advance payments in Funds Held is 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 2023:

Month	Rate Paid*
January	4.51%
February	4.69%
March	4.77%
April	4.92%
May	5.17%
June	5.42%
July	5.30%
August - December	5.50%

*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®

2600 Jenny Wren Trail
PO Box 810
Sun Prairie, WI 53590

(844) 426-6733 | COMPEER.COM
#CHAMPIONRURAL