Quarterly Report
March 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Compeer Financial, ACA (Compeer) and its subsidiaries, Compeer Financial, FLCA and Compeer Financial, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2021 (2021 Annual Report).

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

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FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2021 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

Production agriculture comprises a significant portion of the overall Compeer portfolio, especially the grain, dairy, and swine industry segments. While supply-chain, labor, and inflationary impacts have varied across these commodity segments, overall margins largely remained positive throughout the last several quarters, and the profitability outlook remained largely favorable in the first quarter of 2022.

While impacts from the Russian and Ukrainian conflict (the Conflict) have reverberated widely, the impact on production agriculture has mainly been felt in input price increases (fertilizer, in particular) and elevated grain prices. International commodity flows will continue to adjust to changes in the status of the Conflict, as well as related sanctions, which appear unlikely to be lifted in the near term. Producer margins are widely expected to remain positive, though the impacts from inflationary pressure, labor constraints, and transportation bottlenecks will ultimately dictate the level of profitability. The generally favorable price environment has allowed producers greater ability to leverage risk management options to lock in profits during the quarter.

In its April 2022 World Agricultural Supply and Demand Estimate (WASDE), the United States Department of Agriculture (USDA) shifted usage across categories, but remained unchanged in overall ending stocks. Overall corn ending stocks are forecast at 1.44 billion bushels on planted acres of 93.4 million. This level of planted acres is in contrast to the 89.5 million planted acres forecasted in the USDA Prospective Plantings report, which was released a week earlier. The actual planted acreage will not be known for some time, but the divergence between the two forecasts is notable. In all, tight remaining ending stocks for corn are expected to yield strong prices, potentially even above the current USDA forecasted annual average farm price of $5.80 per bushel. The USDA adjusted soybean ending stocks lower, based on increased export and seed usage. Seed increase was adjusted to facilitate the strong 91.0 million planted acres forecast in the USDA Prospective Plantings report, yet the planted acreage was forecast at 87.2 million by WASDE, another notable divergence. Tight remaining soybean ending stocks are forecasted to drive the season average price to $13.25 per bushel, if not higher, on the expected inventory decrease.

In its March 2022 Milk Production report, the USDA estimated U.S. production decreases year-over-year by 1%. This production decrease was largely driven by fewer cow numbers, as production per cow increased slightly. The Class III milk price forecast for 2022 is strong after the USDA increased the expected annual average to $22.75 per hundredweight (cwt) produced. The WASDE report also estimates a 2022 all-milk price of $25.80 per cwt, compared to $18.69 per cwt in 2021 and $18.24 per cwt in 2020. Benefitting from the strength in prices, Class IV milk (butter/dry products) slightly outperforms Class III, at $24.05 per cwt. This represents a strong gain in Class IV from 2021, which averaged $16.09 per cwt. Strength across 2022 milk price forecasts sets producers up for a strong year, despite increased cost structures. Coupled with advancing adoption of revenue and margin protection products, Compeer clients practicing risk management should not have a problem insuring coverage in excess of production costs.

U.S. pork production, as of March 2022, consisted of 72.2 million head, a 2% decrease from the same period in 2021. The USDA's March 2022 Quarterly Hogs and Pigs report indicates the decrease was driven by fewer year-over-year market and breeding hogs, though market hog inventory rose from the previous quarter. In forecasting the March-to-May quarter, the USDA expects farrowing of 2.99 million sows, which is down 2% from year-ago levels. Ongoing issues related to African Swine Fever continue to impact global supply and demand, hampering foreign pork producers and driving demand for U.S. pork. Asia and Europe, in particular, continue to grapple with outbreaks of the disease, even as countries attempt to rebuild breeding herds.

In February 2022, the USDA updated its net farm income forecast to $113.7 billion, a $5.4 billion decrease over 2021. The update also estimated net cash income for 2022 at $136.1 billion, a $1.9 billion year-over-year increase. The forecast assumes strength in both crop and animal/animal product receipts that offset a $15.5 billion decline in government payments. While revenue remains strong, farm expenses are also forecast to increase by $20.1 billion, as inflation is expected across most expense categories, particularly within feed and fertilizer expenditures. We remain on alert for shortages in the system, but for now, expected 2022 supplies appear already on hand or otherwise adequately available.

Along with the production agriculture portfolio, Compeer maintains a robust rural housing portfolio. This sector relies upon the health of the overall economy, interest rates, and general employment. The most recent U.S. Bureau of Labor Statistics unemployment rate of 3.6% continues a trend of labor supply tightness. The strong labor market continues to benefit from a robust demand environment. As such, the Compeer housing portfolio continues to perform. Home mortgage rates remain relatively low, despite recent momentum upward, as the Federal Reserve moves toward a more aggressive stance in fighting inflation.

The portfolio continues to experience relatively low delinquencies and is navigating this period from a positon of sound credit quality. Several core portfolio industries have experienced significant improvement in overall conditions, creating solid market opportunities for producers. Our core credit objectives of working with clients to promote risk management, ensuring high quality financial statements and production reports, encouraging disciplined marketing plans, and providing individualized servicing plans and strategies remain unchanged. Compeer also remains committed to being an advocate for positive legislative changes that improve prospects for agriculture and rural America.

LOANS HELD TO MATURITY

Loans Held to Maturity

Loans held to maturity were $25.2 billion at March 31, 2022, an increase of $753.5 million from December 31, 2021. This increase was primarily due to growth within our capital markets sector, as well as growth within our food and agribusiness sector, and was offset by decreases within our core markets and swine sectors. Real estate mortgage loan growth experienced during the first quarter of 2022 was somewhat an extension of the momentum and growth experienced throughout 2021; while agribusiness loans grew due to the ongoing Russian and Ukrainian conflict. In contrast, continued high grain prices have caused a decrease in our production and intermediate-term portfolios as operating lines were paid down during the quarter.

Portfolio Credit Quality

The credit quality of our portfolio improved slightly from December 31, 2021. Adversely classified loans decreased to 1.7% of the portfolio at March 31, 2022, from 1.9% of the portfolio at December 31, 2021. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, the Federal Agricultural Mortgage Corporation and other government agency guarantee programs are used to reduce the risk of loss. At March 31, 2022, $1.3 billion of our loans were substantially guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	**March 31, 2022**	December 31, 2021
Loans:		
Nonaccrual	**$ 121,639**	$ 114,423
Accruing restructured	**9,473**	6,931
Accruing loans 90 days or more past due	**10,758**	9,091
Total risk loans	**141,870**	130,445
Other property owned	**10,342**	10,342
Total risk assets	**$ 152,212**	$ 140,787
Total risk loans as a percentage of total loans	**0.6%**	0.5%
Nonaccrual loans as a percentage of total loans	**0.5%**	0.5%
Current nonaccrual loans as a percentage of total nonaccrual loans	**72.2%**	70.9%
Total delinquencies as a percentage of total loans	**0.3%**	0.4%

Note: Accruing loans include accrued interest receivable.

Our risk assets have increased from December 31, 2021, but have remained at acceptable levels. Despite the increase in risk assets, total risk loans as a percentage of total loans were well within our established risk management guidelines.

Nonaccrual loans remained at an acceptable level at March 31, 2022, and December 31, 2021. The increase in total nonaccrual loans was not due to broad-based movement across various segments of the portfolio, but rather, was due to a limited number of loans within our swine segment moving to nonaccrual. These additional nonaccrual loans were offset by the paydowns of other nonaccrual loans within our core and capital markets sectors.

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

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans inherent in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based upon our quarterly allowance for loan losses calculation. This calculation is based upon loan balances as of the current date, as well as charge-offs and recoveries for the period. In addition, the calculation is based on a significant number of assumptions made by management. These assumptions include factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions. Significant downturns in circumstances related to loan quality and economic conditions could result in the requirement for additional allowance. Likewise, an upturn in loan quality and improved economic conditions may allow a reduction (reversal) in the required allowance. The required level of allowance for loan losses is adjusted through the provision for loan losses expense. Provision for loan losses expense increases the allowance, while reversals of provision for loan losses expense decrease the allowance.

Allowance Coverage Ratios

As of:	**March 31, 2022**	December 31, 2021
Allowance as a percentage of:		
Loans	**0.2%**	0.3%
Nonaccrual loans	**49.4%**	55.7%
Total risk loans	**42.3%**	48.8%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at March 31, 2022. We will continue to monitor the allowance for loan losses and allowance coverage ratios on an ongoing basis and adjust levels as necessary based on the above factors, assumptions, and charge-off activity.

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. At March 31, 2022, the volume in this program was $16.4 million, an $8.5 million decrease from December 31, 2021. While loan originations and conversions increased significantly throughout 2021 due to low interest rates, that activity has now slowed in 2022 in the rising interest rate environment. That slowing contributed to this decrease in our loans held for sale.

Loans closed under this rural residential mortgage program will be sold to and securitized by third party investors, Farmer Mac and Freddie Mac. We sold loans in the secondary market totaling $43.1 million through March 31, 2022, compared to $84.8 million for the same period in 2021. The amount of loans sold in the secondary market has decreased along with the decreases in origination and conversion activity.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the three months ended March 31	**2022**	2021
Net income	**$ 126,745**	$ 135,687
Return on average assets	**1.9%**	2.2%
Return on average equity	**11.4%**	13.3%

Changes presented in the profitability information chart relate directly to:

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

Changes in Significant Components of Net Income

(in thousands) For the three months ended March 31	2022	2021	Increase (decrease) in net income
Net interest income	$ 147,999	$ 136,150	$ 11,849
Reversal of loan losses	(3,697)	(4,907)	(1,210)
Non-interest income	66,030	78,131	(12,101)
Non-interest expense	86,631	78,601	(8,030)
Provision for income taxes	4,350	4,900	550
Net income	$ 126,745	$ 135,687	$ (8,942)

Non-Interest Income

The change in non-interest income was primarily due to the decrease in fee and other non-interest income, partially offset by an increase in patronage income.

Fee and Other Non-Interest Income: While fee and other non-interest income decreased in total by about $16.4 million, this total decrease is primarily due to Paycheck Protection Program (PPP) fee income decreases. While we collected approximately $10.6 million in fees during the first quarter of 2021 as a PPP participating lender, this program has now ended, and as such, we had no fee income collected in association with this program during the first quarter of 2022.

Patronage Income: Patronage income includes wholesale patronage and pool program patronage from AgriBank, as well as patronage from other Farm Credit institutions. The increase in total patronage income was primarily due to an increase of about $2.6 million in asset pool program patronage received from AgriBank. Refer to our 2021 Annual Report for a more complete description of our participation in these pool programs.

Non-Interest Expense

The change in non-interest expense was primarily due to an increase in salaries and employee benefits expense and other operating expense.

Salaries and Employee Benefits: The increase in salaries and employee benefits was due to our variable compensation expenses. Our variable compensation accrual for the first quarter of 2022 was higher than the first quarter of 2021 due to our higher employee count, loan growth, and budgeted 2022 profitability.

Other Operating Expense: Other operating expenses increased primarily due to increases in our nonqualified pension restoration plan costs. Key components of these pension costs are recognized based on the average remaining service years of participants in the plan. These costs have increased as a result of changes in assumptions related to the plan participants.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable is scheduled to mature on September 30, 2023. We intend to renegotiate the note payable no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other sources of lendable funds are from equity and subordinated debt.

The components of cost of funds associated with our note payable include:

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

We were not subject to a risk premium at March 31, 2022, or December 31, 2021.

Total equity increased $88.1 million from December 31, 2021, primarily due to net income for the period, which was partially offset by patronage distribution accruals.

The Farm Credit Administration (FCA) Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 9 in our 2021 Annual Report for a more complete description of these ratios. 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:	**March 31, 2022**	December 31, 2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**13.0%**	13.9%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**13.8%**	14.6%	6.0%	2.5%	8.5%
Total capital ratio	**14.8%**	15.8%	8.0%	2.5%	10.5%
Permanent capital ratio	**14.7%**	15.7%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**13.9%**	14.9%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**12.2%**	14.7%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loans Held to Maturity section, and off-balance sheet commitments, as disclosed in Note 13 in our 2021 Annual Report.

CERTIFICATION

The undersigned have reviewed the March 31, 2022, Quarterly Report of Compeer Financial, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

David Peters
Chairperson of the Board
Compeer Financial, ACA

Rodney W. Hebrink
President and Chief Executive Officer
Compeer Financial, ACA

Jase L. Wagner
Chief Financial Officer
Compeer Financial, ACA

May 6, 2022

CONSOLIDATED STATEMENTS OF CONDITION

Compeer Financial, ACA
(in thousands)
(Unaudited)

As of:	March 31, 2022	December 31, 2021
ASSETS		
Loans held to maturity	**$ 25,243,625**	$ 24,490,167
Allowance for loan losses	**60,040**	63,700
Net loans held to maturity	**25,183,585**	24,426,467
Loans held for sale	**16,353**	24,896
Net loans	**25,199,938**	24,451,363
Unrestricted cash	**2,400**	2,400
Investment securities	**1,064,471**	1,125,961
Assets held for lease, net	**120,352**	119,515
Accrued interest receivable	**168,345**	170,502
Investment in AgriBank, FCB	**766,287**	751,956
Premises and equipment, net	**86,703**	84,411
Other assets	**287,275**	302,390
Total assets	**$ 27,695,771**	$ 27,008,498
LIABILITIES		
Note payable to AgriBank, FCB	**$ 22,497,517**	$ 21,900,691
Subordinated debt	**200,000**	200,000
Accrued interest payable	**74,195**	69,847
Deferred tax liabilities, net	**46,377**	47,261
Patronage distribution payable	**186,224**	209,319
Other liabilities	**203,534**	181,590
Total liabilities	**23,207,847**	22,608,708
Contingencies and commitments (Note 4)		
EQUITY		
Preferred stock	**200,000**	200,000
Capital stock and participation certificates	**33,488**	34,630
Capital stock and participation certificates receivable	**(6,352)**	(6,589)
Additional paid-in capital	**1,780,603**	1,780,603
Allocated surplus	**267,856**	267,939
Unallocated surplus	**2,230,613**	2,142,989
Accumulated other comprehensive loss	**(18,284)**	(19,782)
Total equity	**4,487,924**	4,399,790
Total liabilities and equity	**$ 27,695,771**	$ 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)
(Unaudited)

	Three Months Ended	
For the period ended March 31	**2022**	2021
Interest income	**$ 221,753**	$ 205,918
Interest expense	**73,754**	69,768
Net interest income	**147,999**	136,150
Reversal of loan losses	**(3,697)**	(4,907)
Net interest income after reversal of loan losses	**151,696**	141,057
Non-interest income		
Patronage income	**39,152**	36,558
Net operating lease income	**1,378**	929
Financially related services income	**13,959**	12,714
Fee and other non-interest income	**11,541**	27,930
Total non-interest income	**66,030**	78,131
Non-interest expense		
Salaries and employee benefits	**54,593**	50,200
Farm Credit System insurance	**8,306**	7,999
Other operating expense	**22,898**	19,856
Other non-interest expense	**834**	546
Total non-interest expense	**86,631**	78,601
Income before income taxes	**131,095**	140,587
Provision for income taxes	**4,350**	4,900
Net income	**$ 126,745**	$ 135,687
Other comprehensive income		
Employee benefit plans activity	**$ 1,498**	$ 495
Total other comprehensive income	**1,498**	495
Comprehensive income	**$ 128,243**	$ 136,182

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Compeer Financial, ACA
(in thousands)
(Unaudited)

	Preferred Stock	Capital Stock and Participation Certificates and Receivable, Net	Additional Paid-in Capital	Allocated Surplus	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Equity
Balance at December 31, 2020	$ 100,000	$ 28,266	$ 1,780,603	$ 321,115	$ 1,813,294	$ (17,030)	$ 4,026,248
Net income	--	--	--	--	135,687	--	135,687
Other comprehensive income	--	--	--	--	--	495	495
Redemption of prior year allocated patronage	--	--	--	(30)	3	--	(27)
Preferred stock dividend	--	--	--	--	(1,688)	--	(1,688)
Other distributions	--	--	--	--	(1,680)	--	(1,680)
Unallocated surplus designated for patronage distributions	--	--	--	--	(31,935)	--	(31,935)
Capital stock and participation certificates issued	--	1,202	--	--	--	--	1,202
Capital stock and participation certificates retired	--	(1,196)	--	--	--	--	(1,196)
Additions to capital stock and participation certificates receivable, net	--	(297)	--	--	--	--	(297)
Balance at March 31, 2021	$ 100,000	$ 27,975	$ 1,780,603	$ 321,085	$ 1,913,681	$ (16,535)	$ 4,126,809
Balance at December 31, 2021	$ 200,000	$ 28,041	$ 1,780,603	$ 267,939	$ 2,142,989	$ (19,782)	$ 4,399,790
Net income	**--**	**--**	**--**	**--**	**126,745**	**--**	**126,745**
Other comprehensive income	**--**	**--**	**--**	**--**	**--**	**1,498**	**1,498**
Redemption of prior year allocated patronage	**--**	**--**	**--**	**(83)**	**7**	**--**	**(76)**
Preferred stock dividend	**--**	**--**	**--**	**--**	**(2,906)**	**--**	**(2,906)**
Other distributions	**--**	**--**	**--**	**--**	**(1,793)**	**--**	**(1,793)**
Unallocated surplus designated for patronage distributions	**--**	**--**	**--**	**--**	**(34,429)**	**--**	**(34,429)**
Capital stock and participation certificates issued	**--**	**1,419**	**--**	**--**	**--**	**--**	**1,419**
Capital stock and participation certificates retired	**--**	**(2,561)**	**--**	**--**	**--**	**--**	**(2,561)**
Reductions to capital stock and participation certificates receivable, net	**--**	**237**	**--**	**--**	**--**	**--**	**237**
Balance at March 31, 2022	**$ 200,000**	**$ 27,136**	**$ 1,780,603**	**$ 267,856**	**$ 2,230,613**	**$ (18,284)**	**$ 4,487,924**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim financial information and conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the three months ended March 31, 2022, are not necessarily indicative of the results to be expected for the year ending December 31, 2022. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2021 (2021 Annual Report).

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

Recently Issued or Adopted Accounting Pronouncements

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

Standard and effective date	Description	Adoption status and financial statement impact
In June 2016, the FASB issued Accounting Standards Update (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 have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	We expect to adopt the standard as of January 1, 2023. The development of our model to estimate credit losses for our loan portfolio is complete and a validation of the model was completed by an outside provider. Our processes and internal controls related to the model and the estimation of credit losses for loans are currently being designed. We are also evaluating the impact of the standard as it relates to our investment portfolio. We are in the process of drafting disclosures and accounting policies. The extent of the impact on our financial statements will depend on economic conditions, forecasts and the composition of our loan and investment portfolios at the time of adoption.
In March 2022, the FASB issued ASU 2022-02 “Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures.” The guidance is effective at the same time that ASU 2016-13 is adopted.	This guidance eliminates the accounting guidance for troubled debt restructurings by creditors in Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings.	We intend to adopt the standard concurrently with the adoption of ASU 2016-13 as amended. The adoption of this guidance is not expected to have a material impact on our financial statements, but will modify certain disclosures required under ASU 2016-13.

NOTE 2: LOANS HELD TO MATURITY AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	March 31, 2022		December 31, 2021	
	Amount	%	Amount	%
Real estate mortgage	**$ 13,670,380**	**54.1%**	$ 13,410,996	54.8%
Production and intermediate-term	**3,614,674**	**14.3%**	4,115,583	16.8%
Agribusiness	**5,469,212**	**21.7%**	4,604,844	18.8%
Other	**2,489,359**	**9.9%**	2,358,744	9.6%
Total	**$ 25,243,625**	**100.0%**	$ 24,490,167	100.0%

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

Credit Quality

We utilize the Farm Credit Administration (FCA) Uniform Classification System to categorize loans into five credit quality categories. The categories are:

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

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

Credit Quality of Loans

(dollars in thousands)	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of March 31, 2022	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$ 13,311,332**	**96.6%**	**$ 195,561**	**1.4%**	**$ 271,650**	**2.0%**	**$ 13,778,543**	**100.0%**
Production and intermediate-term	**3,462,456**	**94.9%**	**82,145**	**2.3%**	**100,836**	**2.8%**	**3,645,437**	**100.0%**
Agribusiness	**5,270,306**	**96.1%**	**157,835**	**2.9%**	**56,434**	**1.0%**	**5,484,575**	**100.0%**
Other	**2,486,428**	**99.7%**	**2,579**	**0.1%**	**6,117**	**0.2%**	**2,495,124**	**100.0%**
Total	**$ 24,530,522**	**96.6%**	**$ 438,120**	**1.7%**	**$ 435,037**	**1.7%**	**$ 25,403,679**	**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%

Note: Accruing loans include accrued interest receivable.

Delinquency

Aging Analysis of Loans

(in thousands) **As of March 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	**$ 30,478**	**$ 16,674**	**$ 47,152**	**$ 13,731,391**	**$ 13,778,543**	**$ 378**
Production and intermediate-term	**11,051**	**11,490**	**22,541**	**3,622,896**	**3,645,437**	**--**
Agribusiness	**348**	**1,778**	**2,126**	**5,482,449**	**5,484,575**	**--**
Other	**891**	**11,486**	**12,377**	**2,482,747**	**2,495,124**	**10,380**
Total	**$ 42,768**	**$ 41,428**	**$ 84,196**	**$ 25,319,483**	**$ 25,403,679**	**$ 10,758**

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

Note: Accruing loans include accrued interest receivable.

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

Risk Loan Information

(in thousands) As of:		**March 31, 2022**		December 31, 2021
Volume with specific allowance	**$**	**41,155**	$	46,287
Volume without specific allowance		**100,715**		84,158
Total risk loans	**$**	**141,870**	$	130,445
Total specific allowance	**$**	**15,510**	$	18,669
For the three months ended March 31		**2022**		2021
Income on accrual risk loans	**$**	**199**	$	221
Income on nonaccrual loans		**1,959**		885
Total income on risk loans	**$**	**2,158**	$	1,106
Average risk loans	**$**	**123,007**	$	160,337

Note: Accruing loans include accrued interest receivable.

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

Troubled Debt Restructurings (TDRs)

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a TDR, also known as a formally restructured loan for regulatory purposes. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as TDRs are considered risk loans. All risk loans are analyzed within our allowance for loan losses. We record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral. There may be modifications made in the normal course of business that would not be considered TDRs.

There were no TDRs that occurred during the three months ended March 31, 2022. We completed TDRs of certain production and intermediate-term loans during the three months ended March 31, 2021. Our recorded investment in these loans just prior to restructuring was $268 thousand and immediately following the restructuring was $267 thousand. 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 three months ended March 31, 2022, or 2021, in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:		**March 31, 2022**		December 31, 2021
Accrual status:				
Real estate mortgage	**$**	**8,367**	$	6,514
Production and intermediate-term		**1,106**		417
Other		**--**		--
Total TDRs in accrual status	**$**	**9,473**	$	6,931
Nonaccrual status:				
Real estate mortgage	**$**	**1,271**	$	3,453
Production and intermediate-term		**2,226**		3,098
Other		**144**		148
Total TDRs in nonaccrual status	**$**	**3,641**	$	6,699
Total TDRs:				
Real estate mortgage	**$**	**9,638**	$	9,967
Production and intermediate-term		**3,332**		3,515
Other		**144**		148
Total TDRs	**$**	**13,114**	$	13,630

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

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) Three months ended March 31		**2022**		2021
Balance at beginning of period	**$**	**63,700**	$	89,157
Reversal of loan losses		**(3,697)**		(4,907)
Loan recoveries		**40**		48
Loan charge-offs		**(3)**		(58)
Balance at end of period	**$**	**60,040**	$	84,240

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $1.1 billion at March 31, 2022, and December 31, 2021. Our investment securities consisted of:

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

The investment securities have been classified as held-to-maturity. MBS are generally longer-term investments and ABS are generally shorter-term investments. Farmer Mac guaranteed investments are typically MBS while SBA and USDA guaranteed investments may be composed of either MBS or ABS. All our investments, except $34.6 million as of March 31, 2022, and $55.2 million as of December 31, 2021, were fully guaranteed by Farmer Mac, SBA, or USDA.

The investment portfolio is evaluated for other-than-temporary impairment. No investments within the portfolio were impaired at March 31, 2022, or December 31, 2021.

Additional Investment Securities Information

(dollars in thousands) **As of March 31, 2022**		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value	Weighted Average Yield
MBS and bonds	**$**	**679,287**	**$**	**1,999**	**$**	**(37,036)**	**$**	**644,250**	**3.4%**
ABS		**385,184**		**1,471**		**(4,836)**		**381,819**	**0.7%**
Total	**$**	**1,064,471**	**$**	**3,470**	**$**	**(41,872)**	**$**	**1,026,069**	**2.4%**

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%

Investment income is recorded in "Interest income" in the Consolidated Statements of Comprehensive Income and totaled $6.4 million and $7.4 million for the three months ended March 31, 2022, and 2021, respectively.

Contractual Maturities of Investment Securities

(in thousands) **As of March 31, 2022**		Amortized Cost
Less than one year	**$**	**514**
One to five years		**28,934**
Five to ten years		**288,773**
More than ten years		**746,250**
Total	**$**	**1,064,471**

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

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

(in thousands)	Less than 12 months		Greater than 12 months	
		Unrealized		Unrealized
As of March 31, 2022	Fair Value	Losses	Fair Value	Losses
MBS and bonds	**$ 350,071**	**$ (16,729)**	**$ 191,939**	**$ (20,307)**
ABS	**113,341**	**(2,403)**	**130,845**	**(2,433)**
Total	**$ 463,412**	**$ (19,132)**	**$ 322,784**	**$ (22,740)**

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

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

NOTE 4: CONTINGENCIES AND COMMITMENTS

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

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

Refer to Note 13 in our 2021 Annual Report for additional detail regarding contingencies and commitments.

NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 in our 2021 Annual Report for a more complete description of the three input levels.

Recurring Basis

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

Loans Held For Sale: The loans held for sale portfolio is held at fair value. Fair value is based on quoted market prices, where available, or the prices for other similar mortgage loans with similar characteristics. As necessary, these prices are adjusted for typical securitization activities, including servicing value, portfolio composition, market conditions, and liquidity. We had loans held for sale of $16.4 million and $24.9 million as of March 31, 2022, and December 31, 2021, respectively, which were valued using Level 3 inputs. Total fair value losses related to these loans were $162 thousand and $94 thousand for the three months ended March 31, 2022, and 2021, respectively, which were recognized in “Fee and other non-interest income” in the Consolidated Statements of Comprehensive Income.

Derivatives: If an active market exists, the fair value of our derivative financial instruments called TBAs is based on currently quoted market prices. We had TBAs with a notional value of $13.5 million and $8.5 million as of March 31, 2022, and December 31, 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 fair value inputs. Net losses related to TBAs sold, combined with fair value gains on the TBAs, resulted in a net gain of $501 thousand and $538 thousand for the three months ended March 31, 2022, and 2021, respectively, which were recognized in “Fee and other non-interest income” in the Consolidated Statements of Comprehensive Income.

Non-Recurring Basis

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

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

Other Property Owned: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of March 31, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	**$ --**	**$ --**	**$ 26,927**	**$ 26,927**
Other property owned	**--**	**--**	**15,462**	**15,462**

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

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 6, 2022, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.