Quarterly Report
March 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Compeer Financial, ACA (Compeer or Association) and its subsidiaries, Compeer Financial, FLCA and Compeer Financial, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2022 (2022 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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NOTICE OF SIGNIFICANT OR MATERIAL EVENTS

On April 28, 2023, Compeer named Betsy Horton as the Association's next Chief Financial Officer. Ms. Horton will officially assume the role on May 22, 2023.

In addition, the Association's Chief Marketing Officer position has been established as a Senior Officer position and as a member of Compeer's Executive Leadership Team. On April 28, 2023, Susan Sachatello was named as the Association's new Chief Marketing Officer. Ms. Sachatello will officially assume the role on May 22, 2023.

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 2022 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

Production agriculture (particularly the grain, dairy, and swine industry segments) comprises a significant portion of the overall Compeer portfolio. Elevated inflation, coupled with higher interest rates, has lowered expected profitability in some segments. While the margin outlook is generally less favorable, most producers' financial positions strengthened due to favorable economics in recent years. Those producers practicing sound risk management may also benefit with stronger-than-average results in 2023.

Markets have largely adjusted to the ongoing realities of the Russian and Ukrainian conflict and its impact on global supply chain, energy, and feedstuff flows. Commodity price movement has generally moved back to being driven by supply and demand, inventory, and exports. Nevertheless, the 2023 profitability outlook for many commodity segments has shifted from 2022, with producers in the livestock segments generally expecting breakeven or below returns this year. Overall strength in the grain market, coupled with increased interest costs, has increased breakeven levels across the protein sector. While the average cash grain producer is likely to at least breakeven, losses may creep into the protein portfolio segments throughout 2023; however, individual producer profitability will vary based on the unique dynamics of each operation.

In its April 2023 World Agricultural Supply and Demand Estimate (WASDE), the United States Department of Agriculture (USDA) left expected corn ending stocks flat, though both forecast supply and usage were lowered. Overall ending stocks are forecast at 1.34 billion bushels. Without a change in stocks, the forecast annual average farm price was held at $6.60 per bushel. Similarly, the USDA held soybean ending stocks at 210 million bushels, leaving both forecast supply and usage flat to previous levels. As with corn, the forecast season average price for soybeans was maintained at $14.30 per bushel. The USDA Prospective Plantings report released at the end of March estimated corn plantings of 92.0 million acres, a 3.4 million acre (4%) increase from 2022. Soybean plantings were estimated at 87.5 million acres, nearly equivalent to that of last year, despite some expectations for increased soybean plantings due to fuel soybean oil demand.

The March 2023 USDA Milk Production report estimates that U.S. production increased year-over-year by 0.8%, as both herd size and production per cow were above year-ago levels. Processing capacity, particularly in the Midwest, has constrained production growth. The Class III milk price forecast for 2023 improved slightly as USDA forecasts an expected annual average of $18.25 per hundredweight (cwt) produced. The WASDE report estimates a 2023 all-milk price of $20.65 per cwt, compared to $25.56 per cwt in 2022 and $18.53 per cwt in 2021. Slightly weaker butter and cheese demand led the Class IV milk (butter/dry products) forecast slightly lower to $18.10 per cwt. An increased cost structure will likely lead to producers struggling to breakeven at expected 2023 price levels; however, those producers that adopted revenue and margin protection products to practice risk management may have insured coverage in excess of production costs.

U.S. pork production, as of March 2023, consisted of 72.9 million head, a slight increase from the same period in 2022. The USDA Hogs and Pigs report indicates the increase was driven by year-over-year increases in both market and breeding hogs. In forecasting the March-to-May quarter, the USDA expects farrowing of 2.93 million sows, down 1% from year ago levels. While African Swine Fever remains influential in the global supply/demand environment, trade flows have generally adapted to the presence of the disease within foreign pork production centers. Absent new outbreaks in uninfected areas, further market impact of the disease will likely be contained.

In February, the USDA provided its initial 2023 net farm income forecast of $136.9 billion, a decrease of $25.9 billion over 2022. Estimated net cash income is $150.6 billion, a decrease of $39.4 billion year-over-year. Assumed decreases in both crop and livestock receipts drive a $23.6 billion decrease in overall farm receipts, including a nearly 35% decline in government payments. Elevated expenses across all categories drove a production expense increase of $18.2 billion, as increased interest costs are reflected in producer income statements.

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 3.5% continues a trend of labor supply tightness. The strong labor market continues to benefit from a steady demand environment. As such, the Compeer housing portfolio continues to perform. While the quality of the portfolio remains sound, upward movement in mortgage rates as the Federal Reserve aggressively targeted inflation has slowed the market.

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

LOANS HELD TO MATURITY

Loans Held to Maturity

Loans held to maturity were $26.9 billion at March 31, 2023, an increase of $152.8 million from December 31, 2022. This overall increase was led by growth within our capital markets sector, as well as growth within our food and agribusiness sector. Agribusiness loan growth within these sectors was fueled by extending momentum from 2022 into the first quarter of 2023, as well as adding new borrowers and capitalizing on macroeconomic trends. In contrast, these sectors' quarterly growth was offset by decreases within our ag lending (previously core markets) sector. Our production and intermediate-term portfolio decreased as strong yields and strong commodity prices allowed clients to paydown operating lines. Our real estate loan portfolio decreased due to tightened competition, a slowing real estate market, and lessened refinancing activity, all a result of the continued rising interest rate environment.

Portfolio Credit Quality

The credit quality of our portfolio remained stable from December 31, 2022. Adversely classified loans increased to 2.1% of the portfolio at March 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 loan losses.

In certain circumstances, the Federal Agricultural Mortgage Corporation (Farmer Mac) and other government agency guarantee programs are used to reduce the risk of loss. At March 31, 2023, $1.3 billion of our loans were substantially guaranteed under these government programs.

Nonperforming Assets

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 comprises the allowance for credit losses on loans, unfunded commitments, and investment securities.

Components of Nonperforming Assets

(dollars in thousands) As of:	**March 31, 2023**	December 31, 2022
Loans:		
Nonaccrual	**$ 200,374**	$ 95,676
Accruing loans 90 days or more past due	**11,005**	8,356
Total nonperforming loans	**211,379**	104,032
Other property owned	**722**	722
Total nonperforming assets	**$ 212,101**	$ 104,754
Total nonperforming loans as a percentage of total loans[1]	**0.8%**	0.4%
Nonaccrual loans as a percentage of total loans	**0.7%**	0.4%
Current nonaccrual loans as a percentage of total nonaccrual loans	**71.1%**	62.6%
Total delinquencies as a percentage of total loans	**0.5%**	0.4%

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

[1]Prior period ratio has been updated to conform to current period presentation.

Our nonperforming assets have increased from December 31, 2022, but have 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.

The increase in total nonaccrual loans during 2023 was not due to broad-based movement across various segments of the portfolio, but rather, was primarily due to activity on a limited number of agribusiness loans. These loans had been previously identified as adversely classified, but moved to nonaccrual status during the quarter. Nonaccrual loans remained at an acceptable level at March 31, 2023.

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, 2023, and December 31, 2022, were adequately secured and in the process of collection, and as a result, were eligible to remain in accruing status.

Allowance for Loan Losses

Prior to January 1, 2023, the allowance for loan losses was an estimate of losses on loans in our portfolio as of the financial statement date. Effective January 1, 2023, the allowance for loan losses is an estimate of expected credit losses in our portfolio. We determine the appropriate level of allowance for loan losses based on a disciplined process and methodology that incorporates expected probabilities of default and severity of loss based on historical portfolio performance, forecasts of future economic conditions, and management's judgment with respect to unique aspects of current and expected conditions that may not be contemplated in historical loss experience or forecasted economic conditions.

The required level of allowance for loan losses is adjusted through the provision for credit losses expense. Provision for credit losses expense increases the allowance, while reversals of provision for credit losses expense 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 loan losses had on the provision for credit losses expense during the quarter.

Allowance For Loan Losses Coverage Ratios

As of:	**March 31, 2023**	December 31, 2022
Allowance for loan losses as a percentage of:		
Loans	**0.2%**	0.2%
Nonaccrual loans	**32.3%**	55.0%
Total nonperforming loans[1]	**30.7%**	50.7%

[1]Prior period ratio has been updated to conform to current period presentation.

The total allowance for loan losses was $64.8 million at March 31, 2023, and $52.7 million at December 31, 2022. The $12.1 million overall increase from December 31, 2022, was primarily due to the movement of a limited number of agribusiness loans to nonaccrual, as discussed in the Nonperforming Assets sub-section. Those loans' respective allowance for loan losses were increased as the credit quality of the loans decreased. The resulting increase in the total allowance for loan losses was partially offset by the cumulative effect adjustment (decrease) recorded as a result of the adoption of CECL on January 1, 2023. Additional information regarding the CECL adoption is included in Note 1.

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at March 31, 2023. We will continue to monitor the allowance for loan losses and allowance coverage ratios on an ongoing basis.

LOANS HELD FOR SALE

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

We sold loans originated under this program in the secondary market totaling $8.8 million through March 31, 2023, compared to $43.1 million for the same period in 2022. As of March 31, 2023, we had loans held for sale of $3.5 million, compared to $5.0 million as of December 31, 2022.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the three months ended March 31,		**2023**		2022
Net income	**$**	**121,137**	$	126,745
Return on average assets		**1.6%**		1.9%
Return on average equity		**10.2%**		11.4%

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,		**2023**		2022		**Increase (decrease) in net income**
Net interest income	**$**	**172,051**	$	147,999	**$**	**24,052**
Provision for credit losses		**27,651**		(3,697)		**(31,348)**
Non-interest income		**80,926**		66,030		**14,896**
Non-interest expense		**97,686**		86,631		**(11,055)**
Provision for income taxes		**6,503**		4,350		**(2,153)**
Net income	**$**	**121,137**	$	126,745	**$**	**(5,608)**

Net Interest Income

Changes in Net Interest Income

(in thousands)

For the three months ended March 31,		**2023 vs 2022**
Changes in volume	**$**	**11,028**
Changes in interest rates		**12,359**
Changes in asset securitization		**12**
Changes in nonaccrual income and other		**653**
Net change	**$**	**24,052**

Net interest income increased as a result of overall loan growth during the quarter, as well as improved earnings on equity.

Provision for Credit Losses

The change in the provision for credit losses is based upon the calculated changes in the allowance for loan losses. See the Allowance for Loan Losses sub-section (in the Loans Held to Maturity section) for a discussion of the various factors contributing to the change in the allowance for loan losses from December 31, 2022, to March 31, 2023. The deteriorating credit quality of a limited number of agribusiness loans primarily drove the increase in the allowance for loan losses during the first quarter of 2023, which subsequently is reflected in the quarter's provision for credit losses expense. In contrast, during the first quarter of 2022, the credit quality on a limited number of agribusiness loans was upgraded, which decreased the calculated allowance for loan losses, and thus reversing provision for credit losses expense.

Non-Interest Income

The change in non-interest income was primarily due to the increase in patronage income, followed by an increase 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 three months ended March 31,		2023		2022
Patronage from AgriBank	**$**	**46,313**	$	36,728
AgDirect partnership distribution		**1,386**		1,248
Other patronage		**71**		1,176
Total patronage income	**$**	**47,770**	$	39,152

Patronage from AgriBank primarily includes wholesale patronage and pool program patronage.

Fee and Other Non-Interest Income: The increase in fee and other non-interest income was primarily due to two sources: increases in fee income as a result of loan growth, and gains on our investments in Rural Business Investment Companies (RBICs). We and other Farm Credit institutions are among the limited partners for RBICs. Refer to Note 13 in our 2022 Annual Report for further information.

Non-Interest Expense

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

Salaries and Employee Benefits: The "Salaries and employee benefits" line on the Consolidated Statements of Comprehensive Income includes salary, benefit, and variable compensation expenses. These expenses increased due to inflation, annual merit increases, and additional new employees hired as the Association has grown.

Other Operating Expense: Other operating expense increased primarily due to strategic investments made in technology (specifically new laptops), and new security systems purchased and implemented company-wide, as well as additional depreciation expense due to new software implemented in mid-2022.

Farm Credit System Insurance: The Farm Credit System insurance expense increased in 2023 primarily due to an increase in the Farm Credit System Insurance Fund (Insurance Fund) premium rate on Systemwide adjusted insured debt. The premium rate, which is primarily impacted by System growth, was 18 basis points for the three months ended March 31, 2023, compared to 16 basis points for the same period in 2022. In June 2022, the Farm Credit System Insurance Corporation (FCSIC) increased the premium rates for all Farm Credit institutions from 16 basis points to 20 basis points. The change was applied retroactively to all of calendar year 2022. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time. Refer to Note 1 in our 2022 Annual Report for additional information on the Insurance Fund.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable is scheduled to mature on September 30, 2025. We intend to renegotiate the note payable no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. 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, 2023, or December 31, 2022.

Total equity increased $84.0 million from December 31, 2022, primarily due to net income for the period and the cumulative effect of the change in accounting principle, partially offset by patronage distribution accruals and capital stock and participation certificates receivable.

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 2022 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

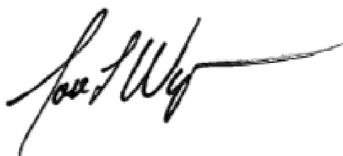
As of:	**March 31, 2023**	December 31, 2022	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**12.6%**	13.2%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**13.3%**	14.0%	6.0%	2.5%	8.5%
Total capital ratio	**14.1%**	14.9%	8.0%	2.5%	10.5%
Permanent capital ratio	**14.1%**	14.8%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**13.3%**	14.1%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**11.9%**	12.5%	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 2022 Annual Report.

CERTIFICATION

The undersigned have reviewed the March 31, 2023, 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



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

May 5, 2023

CONSOLIDATED STATEMENTS OF CONDITION

Compeer Financial, ACA
(in thousands)
(Unaudited)

As of:	March 31, 2023	December 31, 2022
ASSETS		
Loans held to maturity	**$ 26,872,672**	$ 26,719,853
Allowance for loan losses	**64,796**	52,663
Net loans held to maturity	**26,807,876**	26,667,190
Loans held for sale	**3,464**	5,014
Net loans	**26,811,340**	26,672,204
Cash	**2,400**	2,400
Investment securities	**1,478,607**	1,305,075
Assets held for lease, net	**139,229**	138,502
Accrued interest receivable	**235,704**	234,126
Investment in AgriBank, FCB	**952,779**	922,546
Premises and equipment, net	**89,478**	88,254
Other assets	**335,102**	310,202
Total assets	**$ 30,044,639**	$ 29,673,309
LIABILITIES		
Note payable to AgriBank, FCB	**$ 24,409,689**	$ 24,149,070
Subordinated debt	**200,000**	200,000
Accrued interest payable	**196,002**	164,574
Deferred tax liabilities, net	**57,471**	56,535
Patronage distribution payable	**190,002**	210,536
Other liabilities	**215,711**	200,845
Total liabilities	**25,268,875**	24,981,560
Contingencies and commitments (Note 4)		
EQUITY		
Preferred stock	**200,000**	200,000
Capital stock and participation certificates	**42,211**	39,853
Capital stock and participation certificates receivable	**(25,168)**	(20,220)
Additional paid-in capital	**1,780,603**	1,780,603
Allocated surplus	**215,338**	215,380
Unallocated surplus	**2,573,208**	2,487,557
Accumulated other comprehensive loss	**(10,428)**	(11,424)
Total equity	**4,775,764**	4,691,749
Total liabilities and equity	**$ 30,044,639**	$ 29,673,309

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,	**2023**	2022
Interest income	**$ 368,115**	$ 221,753
Interest expense	**196,064**	73,754
Net interest income	**172,051**	147,999
Provision for credit losses	**27,651**	(3,697)
Net interest income after provision for credit losses	**144,400**	151,696
Non-interest income		
Patronage income	**47,770**	39,152
Net operating lease income	**2,239**	1,378
Financially related services income	**15,575**	13,959
Fee and other non-interest income	**15,342**	11,541
Total non-interest income	**80,926**	66,030
Non-interest expense		
Salaries and employee benefits	**60,773**	54,593
Farm Credit System insurance	**10,318**	8,306
Other operating expense	**25,242**	22,898
Other non-interest expense	**1,353**	834
Total non-interest expense	**97,686**	86,631
Income before income taxes	**127,640**	131,095
Provision for income taxes	**6,503**	4,350
Net income	**$ 121,137**	$ 126,745
Other comprehensive income		
Employee benefit plans activity	**$ 996**	$ 1,498
Total other comprehensive income	**996**	1,498
Comprehensive income	**$ 122,133**	$ 128,243

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, 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)
Cumulative effect of change in accounting principle	--	--	--	--	--	--	--
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
Balance at December 31, 2022	$ 200,000	$ 19,633	$ 1,780,603	$ 215,380	$ 2,487,557	$ (11,424)	$ 4,691,749
Net income	**--**	**--**	**--**	**--**	**121,137**	**--**	**121,137**
Other comprehensive income	**--**	**--**	**--**	**--**	**--**	**996**	**996**
Redemption of prior year allocated patronage	**--**	**--**	**--**	**(42)**	**7**	**--**	**(35)**
Preferred stock dividend	**--**	**--**	**--**	**--**	**(2,906)**	**--**	**(2,906)**
Other distributions	**--**	**--**	**--**	**--**	**(2,430)**	**--**	**(2,430)**
Unallocated surplus designated for patronage distributions	**--**	**--**	**--**	**--**	**(37,500)**	**--**	**(37,500)**
Cumulative effect of change in accounting principle	**--**	**--**	**--**	**--**	**7,343**	**--**	**7,343**
Capital stock and participation certificates issued	**--**	**3,180**	**--**	**--**	**--**	**--**	**3,180**
Capital stock and participation certificates retired	**--**	**(823)**	**--**	**--**	**--**	**--**	**(823)**
Additions to capital stock and participation certificates receivable, net	**--**	**(4,947)**	**--**	**--**	**--**	**--**	**(4,947)**
Balance at March 31, 2023	**$ 200,000**	**$ 17,043**	**$ 1,780,603**	**$ 215,338**	**$ 2,573,208**	**$ (10,428)**	**$ 4,775,764**

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, 2023, are not necessarily indicative of the results to be expected for the year ending December 31, 2023. 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, 2022 (2022 Annual Report).

Principles of Consolidation

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

Significant Accounting Policies

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 comprises the allowance for credit losses on loans, unfunded commitments, and investment securities.

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

Loan modifications may be granted to borrowers experiencing financial difficulty. Qualifying disclosable modifications are one or a combination of: principal forgiveness, interest rate reduction, or a term or payment extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

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 in order 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 of the conditions have been met to be accounted for as a sale.

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, including unfunded commitments, over the remaining contractual life of the loan portfolio, adjusted for expected prepayments, and expected utilization of unfunded commitments. 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 allowance is increased through provisions for credit losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. The allowance for credit losses on unfunded commitments is included in "Other Liabilities" in the Consolidated Statements of Condition. See Note 2 for further information.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the then-existing loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowance for credit losses in those future periods. Loans are evaluated on the amortized cost basis, including unamortized premiums and discounts. We utilize a single economic scenario over a reasonable and supportable forecast period of three years. Subsequent to the forecast period, we revert to historical loss experience to inform the estimate of losses for the remaining estimated contractual life of the portfolio.

The economic forecasts are updated on a quarterly basis and include macroeconomic variables such as net farm income, unemployment rates, real gross domestic product levels, housing price index, and agricultural land values. Loan and borrower characteristics are also utilized and include internal risk ratings, delinquency status, and the remaining term of the loan, adjusted for expected prepayments. We also consider the imprecision inherent in the process and methodology, which 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.

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. 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 independent third-party appraisals or on collateral valuations prepared by in-house appraisers. 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. 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 allowance for credit losses.

In estimating the 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. The model calculates an expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by internal risk rating, and the severity of loss, based on the aggregate net lifetime losses incurred.

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, and collateral value trends.

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 periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions. Refer to our 2022 Annual Report for additional information.

Accrued Interest Receivable: Accrued interest receivable is presented separately in the Consolidated Statements of Condition and includes accrued interest on loans and investment securities. Additionally, accrued interest receivable has been excluded from the footnote disclosures for all periods after January 1, 2023.

Investment Securities: We are authorized by the Farm Credit Administration 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 investments upon the adoption of CECL. Purchased premiums and discounts are amortized or accreted using the interest method over the terms of the respective securities.

Quarterly, we evaluate the 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 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 investments as our expectation of nonpayment of the amortized cost basis, based on historical losses, is zero.

There have been no other changes in our accounting policies as disclosed in our 2022 Annual Report, except as described above and in the Recently Issued or Adopted Accounting Pronouncements section below.

Recently Issued or Adopted Accounting Pronouncements

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

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

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

Loans by Type

(dollars in thousands)

As of:	**March 31, 2023**		December 31, 2022	
	Amortized Cost	%	Amortized Cost	%
Real estate mortgage	**$ 13,800,144**	**51.3%**	$ 13,930,238	52.1%
Production and intermediate-term	**3,892,697**	**14.5%**	4,385,912	16.4%
Agribusiness	**6,097,420**	**22.7%**	5,637,741	21.1%
Other	**3,082,411**	**11.5%**	2,765,962	10.4%
Total	**$ 26,872,672**	**100.0%**	$ 26,719,853	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).

In the following loan information, as a result of the adoption of CECL, accrued interest receivable on loans of $220.3 million at March 31, 2023, has been excluded from the amortized cost of loans and is presented in “Accrued interest receivable” in the Consolidated Statements of Condition.

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, 2023, or December 31, 2022.

Credit Quality of Loans as a Percentage of Total Loans

As of March 31, 2023	Acceptable	Special Mention	Substandard/ Doubtful	Total
Real estate mortgage	**97.2%**	**1.2%**	**1.6%**	**100.0%**
Production and intermediate-term	**93.7%**	**3.1%**	**3.2%**	**100.0%**
Agribusiness	**95.7%**	**1.1%**	**3.2%**	**100.0%**
Other	**98.6%**	**0.9%**	**0.5%**	**100.0%**
Total	**96.5%**	**1.4%**	**2.1%**	**100.0%**

Credit Quality and Origination Year of Loans

(dollars in thousands)	Term Loans by Origination Year							Revolving Loans Converted to	
Amortized Cost as of March 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans	Term Loans	Total
Real estate mortgage									
Acceptable	$ 363,131	$ 2,119,223	$ 2,750,664	$ 2,513,976	$ 938,792	$ 4,384,917	$ 323,151	$ 19,555	$ 13,413,409
Special mention	841	10,577	56,153	20,112	9,470	58,917	2,993	--	159,063
Substandard/doubtful	143	6,089	27,550	44,564	36,149	101,215	10,028	1,934	227,672
Total real estate mortgage	$ 364,115	$ 2,135,889	$ 2,834,367	$ 2,578,652	$ 984,411	$ 4,545,049	$ 336,172	$ 21,489	$ 13,800,144
Production and intermediate-term									
Acceptable	$ 182,538	$ 711,299	$ 385,192	$ 256,771	$ 96,340	$ 206,260	$ 1,705,180	$ 106,491	$ 3,650,071
Special mention	2,525	10,730	4,607	11,847	1,604	2,611	85,372	664	119,960
Substandard/doubtful	2,891	6,017	15,306	4,620	14,059	6,644	70,855	2,274	122,666
Total production and intermediate-term	$ 187,954	$ 728,046	$ 405,105	$ 273,238	$ 112,003	$ 215,515	$ 1,861,407	$ 109,429	$ 3,892,697
Agribusiness									
Acceptable	$ 182,427	$ 1,325,819	$ 922,438	$ 447,577	$ 313,001	$ 934,321	$ 1,697,552	$ 12,940	$ 5,836,075
Special mention	157	25,192	16,858	630	--	3,440	19,477	--	65,754
Substandard/doubtful	10	--	35,442	58,232	15,547	32,269	53,109	982	195,591
Total agribusiness	$ 182,594	$ 1,351,011	$ 974,738	$ 506,439	$ 328,548	$ 970,030	$ 1,770,138	$ 13,922	$ 6,097,420
Other									
Acceptable	$ 284,482	$ 866,834	$ 527,290	$ 365,010	$ 148,154	$ 704,708	$ 139,184	$ 3,274	$ 3,038,936
Special mention	3,002	882	12,633	765	106	9,956	--	--	27,344
Substandard/doubtful	71	7,609	529	862	2,542	2,805	1,713	--	16,131
Total other	$ 287,555	$ 875,325	$ 540,452	$ 366,637	$ 150,802	$ 717,469	$ 140,897	$ 3,274	$ 3,082,411
Total									
Acceptable	$ 1,012,578	$ 5,023,175	$ 4,585,584	$ 3,583,334	$ 1,496,287	$ 6,230,206	$ 3,865,067	$ 142,260	$ 25,938,491
Special mention	6,525	47,381	90,251	33,354	11,180	74,924	107,842	664	372,121
Substandard/doubtful	3,115	19,715	78,827	108,278	68,297	142,933	135,705	5,190	562,060
Total	$ 1,022,218	$ 5,090,271	$ 4,754,662	$ 3,724,966	$ 1,575,764	$ 6,448,063	$ 4,108,614	$ 148,114	$ 26,872,672
Charge-offs for the Three Months Ended March 31, 2023									
Real estate mortgage	$ 20	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ 20
Production and intermediate-term	--	191	--	77	--	492	40	--	800
Other	--	--	--	--	603	--	--	--	603
Total	$ 20	$ 191	$ --	$ 77	$ 603	$ 492	$ 40	$ --	$ 1,423

Credit Quality of Loans[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%

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

Delinquency

Aging Analysis of Loans at Amortized Cost[1]

(in thousands) **As of March 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	**$ 27,873**	**$ 13,425**	**$ 41,298**	**$ 13,758,846**	**$ 13,800,144**	**$ 1,670**
Production and intermediate-term	**38,453**	**8,426**	**46,879**	**3,845,818**	**3,892,697**	**47**
Agribusiness	**35,985**	**982**	**36,967**	**6,060,453**	**6,097,420**	**--**
Other	**7,234**	**10,940**	**18,174**	**3,064,237**	**3,082,411**	**9,288**
Total	**$ 109,545**	**$ 33,773**	**$ 143,318**	**$ 26,729,354**	**$ 26,872,672**	**$ 11,005**

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

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

Nonaccrual Loans

Nonaccrual Loans by Type

(in thousands) As of:	**March 31, 2023**	December 31, 2022
Real estate mortgage	**$ 57,779**	$ 46,340
Production and intermediate-term	**41,839**	29,632
Agribusiness	**95,886**	17,935
Other	**4,870**	1,769
Total	**$ 200,374**	$ 95,676

Additional Nonaccrual Loans Information

	As of March 31, 2023	**For the Three Months Ended March 31, 2023**
(in thousands)	Amortized Cost Without Allowance	Interest Income Recognized
Real estate mortgage	**$ 56,555**	**$ 1,563**
Production and intermediate-term	**22,522**	**739**
Agribusiness	**982**	**--**
Other	**2,148**	**11**
Total	**$ 82,207**	**$ 2,313**

We reversed from interest income $2.3 million of interest receivables for the three months ended March 31, 2023.

Allowance for Credit Losses

Changes in Allowance for Credit Losses

(in thousands) Three months ended March 31,		**2023**		2022
Allowance for Loan Losses				
Balance at beginning of period	**$**	**52,663**	$	63,700
Cumulative effect of change in accounting principle		**(14,328)**		--
Provision for loan losses		**27,748**		(3,697)
Recoveries		**136**		40
Charge-offs		**(1,423)**		(3)
Balance at end of period	**$**	**64,796**	$	60,040
Allowance for Unfunded Commitments				
Balance at beginning of period	**$**	**--**	$	--
Cumulative effect of change in accounting principle		**4,192**		--
Provision for unfunded commitments		**(97)**		--
Balance at end of period	**$**	**4,095**	$	--
Total allowance for credit losses	**$**	**68,891**	$	60,040

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
Volume with specific allowance	$	26,336
Volume without specific allowance		86,834
Total risk loans	$	113,170
Total specific allowance	$	11,767
For the three months ended March 31,		2022
Income on accrual risk loans	$	199
Income on nonaccrual loans		1,959
Total income on risk loans	$	2,158
Average risk loans	$	123,007

Note: Accruing loans include accrued interest receivable.

TDRs: 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.

There were no TDRs that occurred during the three months ended March 31, 2022. In addition, there were no TDRs that defaulted during the three months ended March 31, 2022, in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:		December 31, 2022
Accrual status:		
Real estate mortgage	$	7,741
Production and intermediate-term		1,397
Other		--
Total TDRs in accrual status	$	9,138
Nonaccrual status:		
Real estate mortgage	$	1,216
Production and intermediate-term		123
Other		128
Total TDRs in nonaccrual status	$	1,467
Total TDRs:		
Real estate mortgage	$	8,957
Production and intermediate-term		1,520
Other		128
Total TDRs	$	10,605

Note: Accruing loans include accrued interest receivable.

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $1.5 billion at March 31, 2023, and $1.3 billion at December 31, 2022. Our investment securities consisted of:

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

The investment securities have been classified as held-to-maturity. MBS are generally longer-term investments and ABS are generally shorter-term investments. Farmer Mac guaranteed investments are typically MBS while SBA and USDA guaranteed investments may be comprised of either MBS or ABS. All of our investment securities, except $53.1 million at March 31, 2023, compared to $43.9 million at December 31, 2022, were fully guaranteed by Farmer Mac, SBA, or USDA. 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. Prior to January 1, 2023, the investment portfolio was evaluated for other-than-temporary impairment. No investments within the portfolio were impaired at December 31, 2022. No allowance for credit losses was recognized in relation to our investment portfolio at March 31, 2023.

Additional Investment Securities Information

(dollars in thousands) **As of March 31, 2023**		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value	Weighted Average Yield
MBS and bonds	**$**	**671,974**	**$**	**1,311**	**$**	**(48,235)**	**$**	**625,050**	**3.7%**
ABS		**806,633**		**226**		**(24,936)**		**781,923**	**4.7%**
Total	**$**	**1,478,607**	**$**	**1,537**	**$**	**(73,171)**	**$**	**1,406,973**	**4.2%**

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%

Accrued interest receivable on investment securities is presented in “Accrued interest receivable” in the Consolidated Statements of Condition and was $15.4 million at March 31, 2023.

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $14.9 million and $6.4 million for the three months ended March 31, 2023, and 2022, respectively.

Contractual Maturities of Investment Securities

(in thousands) **As of March 31, 2023**		Amortized Cost
Less than one year	**$**	**10,827**
One to five years		**33,412**
Five to ten years		**454,018**
More than ten years		**980,350**
Total	**$**	**1,478,607**

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)

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 2022 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 2022 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 $3.5 million and $5.0 million as of March 31, 2023, and December 31, 2022, respectively, which were valued using Level 3 inputs. Total fair value gains related to these loans was $2 thousand for the three months ended March 31, 2023, compared to losses of $162 thousand for the same period of 2022, which were recognized in “Fee and other non-interest income” and “Other non-interest expense”, respectively, in the Consolidated Statements of Comprehensive Income.

Derivatives: If an active market exists, the fair value of our derivative financial instruments called TBAs is based on currently quoted market prices. We had TBAs with a notional value of $2.5 million and $2.0 million as of March 31, 2023, and December 31, 2022, 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 $9 thousand and $501 thousand for the three months ended March 31, 2023, and 2022, respectively, which were recognized in “Fee and other non-interest income” in the Consolidated Statements of Comprehensive Income.

Non-Recurring Basis

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

Loans: 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 cost to sell, is less than the amortized cost basis of the loan, a specific allowance for expected credit losses is established. Costs to sell represent transaction costs and are not included as a component of the collateral's estimated fair value. Typically, the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters and, therefore, are classified as Level 3 fair value measurements.

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

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of March 31, 2023	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	**$ --**	**$ --**	**$ 84,067**	**$ 84,067**
Other property owned	**--**	**--**	**1,040**	**1,040**

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

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 5, 2023, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.