Quarterly Report
June 30, 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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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 cost structures, coupled with higher interest rates and less favorable commodity prices, have lowered expected profitability in some portfolio segments. While the margin outlook is generally less favorable, most producers' financial positions remain adequate to withstand these less favorable economic conditions. Those producers practicing sound risk management may limit the downside profitability impact in 2023.

While geopolitical concerns remain due to the prolonged Russian and Ukrainian conflict, market drivers have generally shifted to focus on supply and demand, inventory levels, and export concerns. As supply levels across major commodities outpaced demand over the past several months, prices largely adjusted lower. These strong commodity inventory levels, combined with elevated costs of production, are limiting the 2023 profitability outlook for many commodity segments, as compared to the past several years. Weather conditions (more specifically, precipitation levels) over the coming several weeks will also affect market prices for grain and drive expected yields. To date, grain production forecasts have seen limited reduction in expected harvest levels due to Corn Belt drought conditions. The current forecasts' expectations for a strong crop have benefitted protein producers by bringing prices down and lessening breakeven costs. While strong revenue insurance guarantees will likely allow the average cash grain producer to at least breakeven, loss potential still remains significant within the protein portfolio segments.

In its July 2023 World Agricultural Supply and Demand Estimate (WASDE) report, the United States Department of Agriculture (USDA) expects corn ending stocks to increase by 5 million bushels on slightly higher supplies due to more planted acres and flat usage. Resulting ending stocks are forecast at 2.26 billion bushels. The agency specifically notes Corn Belt precipitation amounts at the low end of the historical range, yet expects more favorable July precipitation to limit the yield loss to 4 bushels per planted acre. With limited forecast supply and demand change, the USDA held the forecast annual average farm price at $4.80 per bushel of corn. For soybeans, the USDA expects significantly lower harvested acres in 2023, with the lower production leading to ending total stocks of 300 million bushels, a decrease of 50 million bushels since June. These lower ending stocks caused the USDA to raise its expected season average soybean price by $0.30 to $12.40 per bushel.

The June 2023 USDA Milk Production report estimates a 0.6% U.S. annual production increase, with growth across both herd size and production per cow. Limited processing capacity can lead to milk overproduction issues and negative price impacts for producers. With milk processors at capacity, there have been some cases of milk dumping in Wisconsin, most notably in the summer months with cyclical production highs. The July 2023 WASDE report forecasts a slightly weaker 2023 Class III (cheese) annual average price of $16.05 per hundredweight (cwt) produced. Class IV (butter/whey/dry products) forecast prices also weaken slightly to $18.20 per cwt due to lowered whey and cheese demand. The 2023 all-milk price is forecast at $19.55 per cwt, compared to $25.34 per cwt in 2022 and $18.53 per cwt in 2021. An expected continuation of strong production, coupled with relatively flat demand, provides limited upside potential in milk prices in the near term, yielding significant headwinds for producer profitability. The 2024 forecast milk prices are $15.95 per cwt for Class III, $17.45 per cwt for Class IV, and $19.10 per cwt for all-milk.

U.S. pork production, as reported in the June 2023 USDA Hogs and Pigs report, consisted of 72.4 million head, a slight increase from the same period in 2022. This overall production increase was driven by a slight increase in market hogs, while breeding inventory declined slightly. In forecasting the June-to-August quarter, the USDA expects farrowing of 2.94 million sows, down 4% from year-ago levels. Iowa State University tracks monthly estimated returns for farrow-to-finish operations. Those tracked margins have been negative throughout 2023, peaking in April with estimated losses per head at nearly $50. June estimated margins were more favorable (although still negative), with losses per head at nearly $19. While forecasts expect improvement later in the year, producers will likely struggle to breakeven in 2023.

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

Along with the production agriculture portfolio, Compeer maintains a robust rural housing portfolio. This sector relies upon the health of the overall economy, interest rates, and general employment. The most recent U.S. Bureau of Labor Statistics unemployment rate of 3.6% 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 targets 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 $27.2 billion at June 30, 2023, an increase of $471.7 million from December 31, 2022. This overall increase was driven primarily by activity within our capital markets sector, specifically in agribusiness loans as a result of adding new borrowers and capitalizing on macroeconomic trends. In contrast, this growth was offset by decreases within our ag lending sector. Our production and intermediate-term portfolio decreased in early 2023 as strong yields and strong commodity prices allowed clients to paydown operating lines. Revolving operating line utilization remained at low levels through June 30, 2023.

Portfolio Credit Quality

The credit quality of our portfolio declined from December 31, 2022. Adversely classified loans increased to 2.5% of the portfolio at June 30, 2023, from 2.0% of the portfolio at December 31, 2022. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for credit losses on loans.

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 June 30, 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:	June 30, 2023	December 31, 2022
Loans:		
Nonaccrual	$ 258,964	$ 95,676
Accruing loans 90 days or more past due	18,454	8,356
Total nonperforming loans	277,418	104,032
Other property owned	722	722
Total nonperforming assets	$ 278,140	$ 104,754
Total nonperforming loans as a percentage of total loans[1]	1.0%	0.4%
Nonaccrual loans as a percentage of total loans	1.0%	0.4%
Current nonaccrual loans as a percentage of total nonaccrual loans	47.4%	62.6%
Total delinquencies as a percentage of total loans	0.8%	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 nonaccrual loans was primarily due to activity on a limited number of food and agribusiness, as well as swine loans. These loans had been previously identified as adversely classified, but moved to nonaccrual status during the first half of the year. Nonaccrual loans remained at an acceptable level at June 30, 2023, and December 31, 2022.

The increase in accruing loans 90 days or more past due was primarily due to four loans originated under our mission related investment authority becoming more than 90 days past due; however, these loans were fully guaranteed under government programs. Our accounting policy requires loans past due 90 days or more to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis, accruing loans 90 days or more past due as of June 30, 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 Credit Losses on Loans

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 credit losses on loans is an estimate of expected credit losses in our portfolio. We determine the appropriate level of allowance for credit losses on loans based on a disciplined process and methodology that incorporates expected probabilities of default and 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 credit losses on loans is adjusted through the provision for credit losses expense. Provision for credit losses expense as well as loan recoveries increase the allowance, while reversals of provision for credit losses expense and loan charge-offs decrease the allowance. See the Provision for Credit Losses sub-section (within the Results of Operations section) for a discussion on the impact that the increases in the allowance for credit losses on loans had on the provision for credit losses expense during 2023.

Allowance For Credit Losses on Loans Coverage Ratios

As of:	June 30, 2023	December 31, 2022
Allowance for credit losses on loans as a percentage of:		
Loans	0.4%	0.2%
Nonaccrual loans	37.3%	55.0%
Total nonperforming loans[1]	34.8%	50.7%

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

The total allowance for credit losses on loans was $96.6 million at June 30, 2023, and $52.7 million at December 31, 2022. The $44.0 million overall increase from December 31, 2022, was primarily due to the movement of a limited number of loans to nonaccrual, as discussed in the Nonperforming Assets sub-section. Those loans' respective allowance for credit losses on loans was increased as the credit quality of the loans decreased. It is anticipated that charge-offs related to a limited number of these loans will be incurred during the second half of 2023. To the extent we incur these charge-offs, there may be a substantial decrease in the allowance for credit losses on loans.

The resulting increase in the total allowance for credit losses on loans 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 credit losses on loans was reasonable in relation to the risk in our loan portfolio at June 30, 2023. We will continue to monitor the allowance for credit losses on loans and allowance for credit losses on loans 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 $11.2 million through June 30, 2023, compared to $60.7 million for the same period in 2022. As of June 30, 2023, we had loans held for sale of $12.4 million, compared to $5.0 million as of December 31, 2022.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the six months ended June 30,	**2023**	2022
Net income	**$ 238,171**	$ 251,742
Return on average assets	**1.6%**	1.8%
Return on average equity	**9.9%**	11.2%

Changes presented in the profitability information chart relate directly to:

- Changes in net income discussed in this section
- Changes in assets discussed in the Loans Held to Maturity 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 six months ended June 30,	**2023**	2022	**Increase (decrease) in net income**
Net interest income	**$ 349,308**	$ 298,025	**$ 51,283**
Provision for credit losses	**60,795**	(8,329)	**(69,124)**
Non-interest income	**157,008**	140,117	**16,891**
Non-interest expense	**197,130**	184,816	**(12,314)**
Provision for income taxes	**10,220**	9,913	**(307)**
Net income	**$ 238,171**	$ 251,742	**$ (13,571)**

Net Interest Income

Changes in Net Interest Income

(in thousands) For the six months ended June 30,	**2023 vs 2022**
Changes in volume	**$ 21,341**
Changes in interest rates	**30,006**
Changes in asset securitization	**22**
Changes in nonaccrual income and other	**(86)**
Net change	**$ 51,283**

Provision for Credit Losses

The change in the provision for credit losses is based upon the calculated changes in the allowance for credit losses on loans. See the Allowance for Credit Losses on Loans sub-section (in the Loans Held to Maturity section) for a discussion of the various factors contributing to the change in the allowance for credit losses on loans from December 31, 2022, to June 30, 2023. The deteriorating credit quality of a limited number of loans primarily drove the increase in the allowance for credit losses on loans during the first half of 2023, which is reflected in the 2023 provision for credit losses expense. In contrast, during the first half of 2022, overall credit quality and adverse asset levels remained stable and an assumption was updated within the allowance model, both of which decreased the calculated allowance for credit losses on loans and resulted in a reversal of 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 six months ended June 30,		**2023**		2022
Patronage from AgriBank	**$**	**85,525**	$	77,532
AgDirect partnership distribution		**2,631**		2,484
Other patronage		**70**		1,176
Total patronage income	**$**	**88,226**	$	81,192

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 due to two sources: increases in fee income on unfunded loan commitments, 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 and other operating expense, offset by a decrease in other non-interest 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. In addition, our pension expenses related to our employees participating in the AgriBank District Retirement Plan increased. Refer to Note 11 in our 2022 Annual Report for further information.

Other Operating Expense: Other operating expense increased primarily due to strategic investments made in technology (specifically new systems and laptops) and innovation.

Other Non-Interest Expense: Other non-interest expense decreased primarily due to a loss on sale of acquired property recorded during 2022, while no such loss was recognized year-to-date through June 30, 2023.

FUNDING, LIQUIDITY, AND CAPITAL

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

In August 2023, Fitch Ratings lowered the U.S. sovereign's long-term Issuer Default Rating and the long-term debt rating for the Farm Credit System to AA+ from AAA, the F1+ short-term ratings were affirmed, and the outlooks on the long-term debt ratings were revised to stable. As a government-sponsored entity, the Farm Credit System benefits from the implicit government support and, therefore, the ratings are directly linked to the U.S. sovereign rating. Additionally, Fitch Ratings lowered the long-term debt rating for the Farm Credit Banks, including AgriBank, to A+ from AA-, the F1+ short-term rating was affirmed, and the outlook on the long-term debt rating was revised to stable. The reduction in the credit rating by Fitch Ratings for the Farm Credit Banks, including AgriBank, could result in higher funding costs or disruptions in their access to capital markets which could impact our costs and, ultimately, retail rates.

Total equity increased $157.5 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:	**June 30, 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	**14.3%**	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 June 30, 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
Compeer Financial, ACA

Betsy Horton
Chief Financial Officer
Compeer Financial, ACA

August 8, 2023

CONSOLIDATED STATEMENTS OF CONDITION

Compeer Financial, ACA
(in thousands)

As of:		June 30, 2023		December 31, 2022
		(Unaudited)		
ASSETS				
Loans held to maturity	**$**	**27,191,533**	$	26,719,853
Allowance for credit losses on loans		**96,639**		52,663
Net loans held to maturity		**27,094,894**		26,667,190
Loans held for sale		**12,407**		5,014
Net loans		**27,107,301**		26,672,204
Cash		**2,400**		2,400
Investment securities		**1,563,525**		1,305,075
Assets held for lease, net		**140,911**		138,502
Accrued interest receivable		**266,307**		234,126
Investment in AgriBank, FCB		**962,090**		922,546
Premises and equipment, net		**93,102**		88,254
Other assets		**372,871**		310,202
Total assets	**$**	**30,508,507**	$	29,673,309
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**24,751,717**	$	24,149,070
Subordinated debt		**200,000**		200,000
Accrued interest payable		**215,816**		164,574
Deferred tax liabilities, net		**57,300**		56,535
Patronage distribution payable		**229,927**		210,536
Other liabilities		**204,493**		200,845
Total liabilities		**25,659,253**		24,981,560
Contingencies and commitments (Note 4)				
EQUITY				
Preferred stock		**200,000**		200,000
Capital stock and participation certificates		**44,067**		39,853
Capital stock and participation certificates receivable		**(28,550)**		(20,220)
Additional paid-in capital		**1,780,603**		1,780,603
Allocated surplus		**215,130**		215,380
Unallocated surplus		**2,647,436**		2,487,557
Accumulated other comprehensive loss		**(9,432)**		(11,424)
Total equity		**4,849,254**		4,691,749
Total liabilities and equity	**$**	**30,508,507**	$	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		Six Months Ended	
For the period ended June 30,	**2023**	2022	**2023**	2022
Interest income	**$ 394,274**	$ 240,823	**$ 762,389**	$ 462,576
Interest expense	**217,017**	90,797	**413,081**	164,551
Net interest income	**177,257**	150,026	**349,308**	298,025
Provision for credit losses	**33,144**	(4,632)	**60,795**	(8,329)
Net interest income after provision for credit losses	**144,113**	154,658	**288,513**	306,354
Non-interest income				
Patronage income	**40,456**	42,040	**88,226**	81,192
Net operating lease income	**2,552**	2,226	**4,791**	3,604
Financially related services income	**13,909**	13,023	**29,484**	26,982
Fee and other non-interest income	**19,165**	16,798	**34,507**	28,339
Total non-interest income	**76,082**	74,087	**157,008**	140,117
Non-interest expense				
Salaries and employee benefits	**60,058**	55,448	**120,831**	110,041
Farm Credit System insurance	**10,467**	12,731	**20,785**	21,037
Other operating expense	**27,852**	24,166	**53,094**	47,064
Other non-interest expense	**1,067**	5,840	**2,420**	6,674
Total non-interest expense	**99,444**	98,185	**197,130**	184,816
Income before income taxes	**120,751**	130,560	**248,391**	261,655
Provision for income taxes	**3,717**	5,563	**10,220**	9,913
Net income	**$ 117,034**	$ 124,997	**$ 238,171**	$ 251,742
Other comprehensive income				
Employee benefit plans activity	**$ 996**	$ 1,497	**$ 1,992**	$ 2,995
Total other comprehensive income	**996**	1,497	**1,992**	2,995
Comprehensive income	**$ 118,030**	$ 126,494	**$ 240,163**	$ 254,737

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	--	--	--	--	251,742	--	251,742
Other comprehensive income	--	--	--	--	--	2,995	2,995
Redemption of allocated patronage	--	--	--	(242)	22	--	(220)
Preferred stock dividend	--	--	--	--	(5,812)	--	(5,812)
Other distributions	--	--	--	--	(3,586)	--	(3,586)
Unallocated surplus designated for patronage distributions	--	--	--	--	(68,685)	--	(68,685)
Cumulative effect of change in accounting principle	--	--	--	--	--	--	--
Capital stock and participation certificates issued	--	5,433	--	--	--	--	5,433
Capital stock and participation certificates retired	--	(3,649)	--	--	--	--	(3,649)
Additions to capital stock and participation certificates receivable, net	--	(6,282)	--	--	--	--	(6,282)
Balance at June 30, 2022	$ 200,000	$ 23,543	$ 1,780,603	$ 267,697	$ 2,316,670	$ (16,787)	$ 4,571,726
Balance at December 31, 2022	$ 200,000	$ 19,633	$ 1,780,603	$ 215,380	$ 2,487,557	$ (11,424)	$ 4,691,749
Net income	**--**	**--**	**--**	**--**	**238,171**	**--**	**238,171**
Other comprehensive income	**--**	**--**	**--**	**--**	**--**	**1,992**	**1,992**
Redemption of allocated patronage	**--**	**--**	**--**	**(250)**	**37**	**--**	**(213)**
Preferred stock dividend	**--**	**--**	**--**	**--**	**(5,812)**	**--**	**(5,812)**
Other distributions	**--**	**--**	**--**	**--**	**(4,860)**	**--**	**(4,860)**
Unallocated surplus designated for patronage distributions	**--**	**--**	**--**	**--**	**(75,000)**	**--**	**(75,000)**
Cumulative effect of change in accounting principle	**--**	**--**	**--**	**--**	**7,343**	**--**	**7,343**
Capital stock and participation certificates issued	**--**	**5,721**	**--**	**--**	**--**	**--**	**5,721**
Capital stock and participation certificates retired	**--**	**(1,508)**	**--**	**--**	**--**	**--**	**(1,508)**
Additions to capital stock and participation certificates receivable, net	**--**	**(8,329)**	**--**	**--**	**--**	**--**	**(8,329)**
Balance at June 30, 2023	**$ 200,000**	**$ 15,517**	**$ 1,780,603**	**$ 215,130**	**$ 2,647,436**	**$ (9,432)**	**$ 4,849,254**

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 six months ended June 30, 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

Loans Held to Maturity: Loans are carried at their principal amount outstanding, net of any unearned income, cumulative net charge-offs and 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 credit losses on loans. Subsequent recoveries, if any, are added to the allowance for credit losses on loans. Any cash received on nonaccrual loans is applied to reduce the 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: 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.

Allowance for Credit Losses on Loans
Beginning January 1, 2023, the allowance for credit losses on loans (ACLL) represents the estimated current expected credit losses on the loan portfolio over the remaining contractual life of the loan portfolio, adjusted for expected prepayments, 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 ACLL is increased through provisions for loan losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. The provision activity is included as part of the "Provision for credit losses" in the Consolidated Statements of Comprehensive Income. See Note 2 for further information.

Determining the appropriateness of the ACLL 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 ACLL in those future periods. Loans are evaluated on the amortized cost basis, including unamortized premiums and discounts.

We employ a disciplined process and methodology to establish the ACLL that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics. When a loan does not share risk characteristics with other loans, expected credit loss is measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. 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 ACLL.

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. We utilize a model to calculate an expected life-of-loan loss percentage for each loan category by considering the probability of default (based on an estimated migration of loans from performing to loss by internal risk rating) and the severity of loss (based on the aggregate net lifetime losses incurred). Loan borrower characteristics are also utilized and include internal risk ratings, delinquency status, and the remaining term of the loan, adjusted for expected prepayments.

In order to calculate this estimated migration of loans from performing to loss, we first consider multiple economic scenarios over a reasonable and supportable forecast period of three years. The economic forecasts used in our model are provided by an independent third-party on a quarterly basis, and incorporate macroeconomic variables, some of which apply to multiple loan segments and others that apply to a single loan segment. The most significant macroeconomic variables utilized include: cash receipts for corn, soybeans, dairy, and swine; selected input costs for producers (land cash rents and prices of seed, fertilizer, and feed); net farm income; real gross domestic product levels; stock market index; unemployment rates; housing price index; agricultural land values; and interest rates (prime and conventional mortgage rates). Subsequent to the forecast period, our model reverts to historical loss experience to inform the estimate of losses for the remaining estimated contractual life of the portfolio.

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

Prior to January 1, 2023, the allowance for loan losses was an estimate of losses inherent in our loan portfolio as of the financial statement date. We determined the appropriate level of allowance for loan losses based on 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.

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

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

Accrued Interest Receivable: Accrued interest receivable is presented separately in the Consolidated Statements of Condition and includes accrued interest on loans and investment securities. 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 investment securities upon the adoption of CECL. Purchased premiums and discounts are amortized or accreted using the interest method over the terms of the respective securities.

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

Recently Issued or Adopted Accounting Pronouncements

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

Standard and effective date	Description	Adoption status and financial statement impact
In June 2016, the FASB issued ASU 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amended the mandatory effective date for this guidance for certain institutions. We qualified for the deferral of the mandatory effective date. As a result of the change, the standard was effective for our first quarter of 2023 and early adoption was permitted. Additionally, the FASB issued several updates during 2019 refining and clarifying Topic 326.	This guidance replaced the 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 credit losses on loans decreased by $14.3 million and an allowance for credit losses on unfunded commitments of $4.2 million was recognized, with a cumulative-effect increase, net of tax balances, to retained earnings of $7.3 million. The adoption of the standard did not have a material impact related to our held-to-maturity investment portfolio as the substantial majority of these investments carry a full faith and credit guarantee of the U.S. government or an implicit credit guarantee from its agencies and have an immaterial risk of credit loss. No allowance for credit losses was recognized in relation to our investment portfolio upon adoption.
In March 2022, the FASB issued ASU 2022-02 "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures." The guidance was effective at the same time that ASU 2016-13 was adopted.	This guidance eliminated the accounting guidance for troubled debt restructurings by creditors in Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings.	We adopted the standard on January 1, 2023. The adoption of this guidance did not have a material impact on our financial statements, but modified certain disclosures beginning in 2023. Modifications during the first quarter were not material; therefore, related disclosures were omitted from the first quarter 2023 Quarterly Report.

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

Loans by Type

(dollars in thousands)

As of:	June 30, 2023		December 31, 2022	
	Amortized Cost	%	Amortized Cost	%
Real estate mortgage	**$ 13,852,970**	**50.9%**	$ 13,930,238	52.1%
Production and intermediate-term	**4,016,899**	**14.8%**	4,385,912	16.4%
Agribusiness	**6,111,617**	**22.5%**	5,637,741	21.1%
Other	**3,210,047**	**11.8%**	2,765,962	10.4%
Total	**$ 27,191,533**	**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).

Throughout Note 2 accrued interest receivable on loans of $248.5 million at June 30, 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 June 30, 2023, or December 31, 2022.

Credit Quality of Loans as a Percentage of Total Loans

As of June 30, 2023	Acceptable	Special Mention	Substandard/ Doubtful	Total
Real estate mortgage	**96.4%**	**1.6%**	**2.0%**	**100.0%**
Production and intermediate-term	**93.7%**	**2.2%**	**4.1%**	**100.0%**
Agribusiness	**94.4%**	**2.0%**	**3.6%**	**100.0%**
Other	**98.4%**	**1.1%**	**0.5%**	**100.0%**
Total	**95.8%**	**1.7%**	**2.5%**	**100.0%**

Credit Quality and Origination Year of Loans

(dollars in thousands) **Amortized Cost as of June 30, 2023**	Term Loans by Origination Year 2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Real estate mortgage									
Acceptable	**$ 803,429**	**$ 1,915,175**	**$ 2,703,782**	**$ 2,469,586**	**$ 905,452**	**$ 4,244,145**	**$ 294,256**	**$ 21,060**	**$ 13,356,885**
Special mention	**3,209**	**26,230**	**15,096**	**25,612**	**24,159**	**78,023**	**45,977**	**--**	**218,306**
Substandard/doubtful	**467**	**16,169**	**67,713**	**46,912**	**37,400**	**91,474**	**15,758**	**1,886**	**277,779**
Total real estate mortgage	**$ 807,105**	**$ 1,957,574**	**$ 2,786,591**	**$ 2,542,110**	**$ 967,011**	**$ 4,413,642**	**$ 355,991**	**$ 22,946**	**$ 13,852,970**
Production and intermediate-term									
Acceptable	**$ 337,366**	**$ 633,765**	**$ 361,087**	**$ 240,086**	**$ 87,730**	**$ 199,145**	**$ 1,831,711**	**$ 70,092**	**$ 3,760,982**
Special mention	**12,041**	**2,391**	**4,173**	**2,137**	**1,361**	**682**	**66,966**	**240**	**89,991**
Substandard/doubtful	**13,135**	**13,929**	**4,652**	**13,090**	**16,800**	**6,162**	**95,699**	**2,459**	**165,926**
Total production and intermediate-term	**$ 362,542**	**$ 650,085**	**$ 369,912**	**$ 255,313**	**$ 105,891**	**$ 205,989**	**$ 1,994,376**	**$ 72,791**	**$ 4,016,899**
Agribusiness									
Acceptable	**$ 394,300**	**$ 1,296,336**	**$ 851,253**	**$ 476,614**	**$ 302,466**	**$ 890,056**	**$ 1,556,847**	**$ 2,713**	**$ 5,770,585**
Special mention	**--**	**29,915**	**32,783**	**615**	**12,653**	**3,349**	**32,783**	**11,241**	**123,339**
Substandard/doubtful	**9**	**1,423**	**45,719**	**54,451**	**15,331**	**31,815**	**48,312**	**20,633**	**217,693**
Total agribusiness	**$ 394,309**	**$ 1,327,674**	**$ 929,755**	**$ 531,680**	**$ 330,450**	**$ 925,220**	**$ 1,637,942**	**$ 34,587**	**$ 6,111,617**
Other									
Acceptable	**$ 506,933**	**$ 878,130**	**$ 509,575**	**$ 370,601**	**$ 144,217**	**$ 678,723**	**$ 65,302**	**$ 3,273**	**$ 3,156,754**
Special mention	**2,827**	**901**	**10,188**	**796**	**99**	**21,675**	**--**	**--**	**36,486**
Substandard/doubtful	**187**	**7,983**	**518**	**832**	**2,213**	**2,862**	**2,212**	**--**	**16,807**
Total other	**$ 509,947**	**$ 887,014**	**$ 520,281**	**$ 372,229**	**$ 146,529**	**$ 703,260**	**$ 67,514**	**$ 3,273**	**$ 3,210,047**
Total									
Acceptable	**$ 2,042,028**	**$ 4,723,406**	**$ 4,425,697**	**$ 3,556,887**	**$ 1,439,865**	**$ 6,012,069**	**$ 3,748,116**	**$ 97,138**	**$ 26,045,206**
Special mention	**18,077**	**59,437**	**62,240**	**29,160**	**38,272**	**103,729**	**145,726**	**11,481**	**468,122**
Substandard/doubtful	**13,798**	**39,504**	**118,602**	**115,285**	**71,744**	**132,313**	**161,981**	**24,978**	**678,205**
Total	**$ 2,073,903**	**$ 4,822,347**	**$ 4,606,539**	**$ 3,701,332**	**$ 1,549,881**	**$ 6,248,111**	**$ 4,055,823**	**$ 133,597**	**$ 27,191,533**
Charge-offs for the Six Months Ended June 30, 2023									
Production and intermediate-term	**$ 24**	**$ 472**	**$ --**	**$ 77**	**$ 10**	**$ 268**	**$ 289**	**$ --**	**$ 1,140**
Other	**--**	**--**	**--**	**--**	**809**	**--**	**--**	**--**	**809**
Total	**$ 24**	**$ 472**	**$ --**	**$ 77**	**$ 819**	**$ 268**	**$ 289**	**$ --**	**$ 1,949**

Credit Quality of Loans

(dollars in thousands) As of December 31, 2022	Acceptable Amount	%	Special Mention Amount	%	Substandard/ Doubtful Amount	%	Total 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%

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 June 30, 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	**$ 40,386**	**$ 12,286**	**$ 52,672**	**$ 13,800,298**	**$ 13,852,970**	**$ 1,213**
Production and intermediate-term	**15,263**	**20,588**	**35,851**	**3,981,048**	**4,016,899**	**4,505**
Agribusiness	**76,332**	**31,170**	**107,502**	**6,004,115**	**6,111,617**	**221**
Other	**11,417**	**13,758**	**25,175**	**3,184,872**	**3,210,047**	**12,515**
Total	**$ 143,398**	**$ 77,802**	**$ 221,200**	**$ 26,970,333**	**$ 27,191,533**	**$ 18,454**

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:	**June 30, 2023**	December 31, 2022
Real estate mortgage	**$ 75,751**	$ 46,340
Production and intermediate-term	**79,459**	29,632
Agribusiness	**98,867**	17,935
Other	**4,887**	1,769
Total	**$ 258,964**	$ 95,676

Additional Nonaccrual Loans Information

(in thousands)	**As of June 30, 2023** Amortized Cost Without Allowance	**For the Six Months Ended June 30, 2023** Interest Income Recognized
Real estate mortgage	**$ 60,837**	**$ 2,024**
Production and intermediate-term	**27,939**	**1,302**
Agribusiness	**556**	**--**
Other	**2,339**	**28**
Total	**$ 91,671**	**$ 3,354**

Reversals of interest income on loans that moved to nonaccrual status were not material for the six months ended June 30, 2023.

Loan Modifications Granted to Borrowers Experiencing Financial Difficulty

Included within our loans are loan modifications. 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.

Loan Modifications at Amortized Cost[1]

(dollars in thousands) **Six months ended June 30, 2023**	Interest Rate Reduction	Term or Payment Extension	Combination - Interest Rate Reduction and Term or Payment Extension	Total	Percentage of Total Loans
Real estate mortgage	$ **912**	$ **5,795**	$ **--**	$ **6,707**	**0.0%**
Production and intermediate-term	**--**	**39,582**	**19**	**39,601**	**0.1%**
Agribusiness	**--**	**41,459**	**--**	**41,459**	**0.2%**
Total	$ **912**	$ **86,836**	$ **19**	$ **87,767**	**0.3%**
Concessions granted as a percentage of total loans	**0.0%**	**0.3%**	**0.0%**	**0.3%**	

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

Financial Effect of Loan Modifications

Six months ended June 30,	**2023**
	Interest Rate Reduction
	Financial Effect
Real estate mortgage	Reduced the weighted average contractual interest rate from 9.1% to 8.7%
	Term or Payment Extension
	Financial Effect
Real estate mortgage	Added a weighted average 14.0 months to the life of loans, which reduced the monthly payment amounts for the borrowers
Production and intermediate-term	Added a weighted average 2.0 months to the life of loans, which reduced the monthly payment amounts for the borrowers
Agribusiness	Added a weighted average 5.6 months to the life of loans, which reduced the monthly payment amounts for the borrowers
	Principal Forgiveness
	Financial Effect
Real estate mortgage	Reduced the amortized cost basis of loans by $107 thousand
Production and intermediate-term	Reduced the amortized cost basis of loans by $699 thousand
	Combination - Interest Rate Reduction and Term or Payment Extension
	Financial Effect
Production and intermediate-term	Reduced the weighted average contractual interest rate from 9.3% to 8.1% and added a weighted average 36.0 months to the life of loans, which reduced the monthly payment amounts for the borrowers

There were no loans to borrowers experiencing financial difficulty that received a modification on or after January 1, 2023, the date we adopted CECL, through June 30, 2023, that subsequently defaulted during the period presented.

Payment Status of Modified Loans at Amortized Cost[1]

	Payment Status of Modified Loans		
(in thousands) **Six months ended June 30, 2023**	Not Past Due or Less than 30 Days Past Due	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	$ **5,467**	$ **1,240**	$ **--**
Production and intermediate-term	**37,751**	**913**	**937**
Agribusiness	**26,121**	**15,338**	**--**
Total	$ **69,339**	$ **17,491**	$ **937**

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

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the period were $16.5 million at June 30, 2023.

Allowance for Credit Losses

Changes in Allowance for Credit Losses

(in thousands) Six months ended June 30,		**2023**		2022
Allowance for Credit Losses on Loans				
Balance at beginning of period	**$**	**52,663**	$	63,700
Cumulative effect of change in accounting principle		**(14,328)**		--
Provision for loan losses		**60,063**		(8,329)
Recoveries		**190**		286
Charge-offs		**(1,949)**		(533)
Balance at end of period	**$**	**96,639**	$	55,124
Allowance for Credit Losses on Unfunded Commitments				
Balance at beginning of period	**$**	**--**	$	--
Cumulative effect of change in accounting principle		**4,192**		--
Provision for unfunded commitments		**732**		--
Balance at end of period	**$**	**4,924**	$	--
Total allowance for credit losses	**$**	**101,563**	$	55,124

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 six months ended June 30,		2022
Income on accrual risk loans	$	429
Income on nonaccrual loans		4,158
Total income on risk loans	$	4,587
Average risk loans	$	131,780

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 six months ended June 30, 2022. In addition, there were no TDRs that defaulted during the six months ended June 30, 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 $1.6 billion at June 30, 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 $44.7 million at June 30, 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 June 30, 2023.

Additional Investment Securities Information

(dollars in thousands) **As of June 30, 2023**	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
MBS and bonds	**$ 643,180**	**$ 738**	**$ (66,889)**	**$ 577,029**	**3.9%**
ABS	**920,345**	**642**	**(31,525)**	**889,462**	**5.4%**
Total	**$ 1,563,525**	**$ 1,380**	**$ (98,414)**	**$ 1,466,491**	**4.8%**

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 $17.8 million at June 30, 2023.

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $32.1 million and $13.2 million for the six months ended June 30, 2023, and 2022, respectively.

Contractual Maturities of Investment Securities

(in thousands) **As of June 30, 2023**	Amortized Cost
Less than one year	**$ 308**
One to five years	**25,387**
Five to ten years	**460,345**
More than ten years	**1,077,485**
Total	**$ 1,563,525**

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 $12.4 million and $5.0 million as of June 30, 2023, and December 31, 2022, respectively, which were valued using Level 3 inputs. There were no fair value gains or losses related to these loans for the six months ended June 30, 2023, compared to losses of $88 thousand for the same period of 2022, which were recognized in “Other non-interest expense” in the Consolidated Statements of Comprehensive Income.

Derivatives: If an active market exists, the fair value of our derivative financial instruments called TBAs is based on currently quoted market prices. We had TBAs with a notional value of $1.0 million and $2.0 million as of June 30, 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 $27 thousand and $1.1 million for the six months ended June 30, 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 Held to Maturity: Represents the carrying amount of loans evaluated individually for credit losses and are deemed to be collateral dependent. The carrying value amount is based on the estimated value of the underlying collateral, less costs to sell. When the fair value of the collateral, less 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 June 30, 2023	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans held to maturity	**$ --**	**$ --**	**$ 103,873**	**$ 103,873**
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 held to maturity	$ --	$ --	$ 15,297	$ 15,297
Other property owned	--	--	856	856

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through August 8, 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.