Quarterly Report
September 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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NOTICE OF SIGNIFICANT OR MATERIAL EVENTS

On September 26, 2022, the Compeer Board of Directors announced their decision to name Jase Wagner as the organization's next chief executive officer and president. Mr. Wagner will officially assume the role on January 1, 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 2021 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

Production agriculture comprises a significant portion of the overall Compeer portfolio, especially the grain, dairy, and swine industry segments. Supply chain, labor, and inflationary impacts have varied across these commodity segments throughout the year, though overall margins remain largely positive. This generally favorable price environment has allowed producers greater ability to leverage risk management options to lock in profits throughout 2022.

The profitability outlook for most core commodity segments remains largely favorable, with at least breakeven performance expected for 2022. Markets have generally adjusted to the ongoing realities of the Russian and Ukrainian conflict and its impact on global supply chain, energy, and feedstuff flows. Its impact to production agriculture has mainly affected crop input prices (fertilizer, in particular) and grain prices. Despite the ongoing conflict, domestic commodity prices are largely being driven by inventories and export activity. As mentioned, expectations are for producer margins to remain positive in 2022, though individual producer profitability will vary based on impact of inflation, labor constraints, energy, and transportation.

In its October 2022 World Agricultural Supply and Demand Estimate (WASDE), the United States Department of Agriculture (USDA) further reduced expected corn production by dropping the forecast yield to 171.9 bushels per acre. Overall ending stocks are forecasted at 1.17 billion bushels on 80.8 million harvested acres. At 13.9 billion bushels produced, the 2022 corn crop would be lower than both the 2020 and 2021 crops. As such, the USDA increased their forecasted annual average farm price to $6.80 per bushel. The USDA also revised its expected soybean production slightly lower to 49.8 bushels per acre. Lower estimated yields were largely offset by a rise in beginning inventories and lower expected export volumes, leaving ending stocks at 200 million bushels. The resulting forecasted season average price was lowered slightly to $14.00 per bushel.

The September 2022 USDA Milk Production report estimates U.S. production increased year-over-year by 1.6%. The rise was largely the result of increased production per cow, as the year-over-year number of cows declined. The Class III Milk price forecast for 2022 remains favorable, with the USDA forecasting an expected annual average of $21.90 per hundredweight (cwt) produced. The WASDE report also estimates a 2022 all-milk price of $25.60 per cwt, compared to $18.53 per cwt in 2021 and $18.13 per cwt in 2020. Strength in butter and cheese drives Class IV Milk (butter/dry products) to outperform Class III, at $24.60 per cwt. Looking forward, 2023 prices are expected to retreat by roughly 10%, yet largely remain at or above breakeven levels. Strength across 2022 milk price forecasts sets producers up for a strong year, despite increased cost structure.

U.S. pork production as of September 2022 consisted of 73.8 million head, a 1% decrease from the same period in 2021. The USDA Hogs and Pigs report indicates the decrease was driven by fewer year-over-year market and breeding hogs. In forecasting the September-to-November quarter, the USDA expects farrowing of 2.97 million sows, which is down 2% from year-ago levels. African Swine Fever remains impactful in the global supply/demand environment. The disease continues to hamper foreign pork production centers, improving demand for U.S. pork. Asia and Europe, in particular, continue to grapple with the disease, while also attempting to rebuild breeding herds.

In September 2022, the USDA updated its net farm income forecast to $147.7 billion, an increase of $7.3 billion over 2021. Estimated 2022 net cash income is $168.5 billion, an increase of $22.1 billion year-over-year. Assumed increases in both crop and livestock receipts drive a $91.7 billion increase in overall farm receipts, despite a nearly 50% decline in government payments. Elevated expenses across all categories drove a production expense increase of $66.2 billion, as inflationary pressure manifested in real cost increases to producers.

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 momentum in mortgage rates remains as the Federal Reserve aggressively targets inflation.

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

LOANS HELD TO MATURITY

Loans Held to Maturity

Loans held to maturity were $25.3 billion at September 30, 2022, an increase of $837.1 million from December 31, 2021. This overall 9-month increase was primarily due to consistent growth within our capital markets sector, offset by decreases within our swine sector. While most business units have shown positive growth during the year, this has not been without some volatility from quarter to quarter, particularly within our swine, core grain markets, and food and agribusiness sectors. The first quarter of 2022 brought an overall increase in loans as an extension of momentum and growth from 2021, and also as a result of the ongoing Russian and Ukrainian conflict. In contrast, an overall decrease in loans occurred during the second quarter, which was attributable to the normal seasonality and patterns of loan activity, along with high grain prices and grain sales causing decreases in operating loans. Finally, even in light of the current market uncertainty, rising interest rates, inflation, and some expected seasonal paydowns, the third quarter reverted back again to an overall increase in loans as our capital markets sector continued its agribusiness loan growth.

Portfolio Credit Quality

The credit quality of our portfolio improved slightly from December 31, 2021. Adversely classified loans decreased to 1.8% of the portfolio at September 30, 2022, from 1.9% of the portfolio at December 31, 2021. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, the Federal Agricultural Mortgage Corporation (Farmer Mac) and other government agency guarantee programs are used to reduce the risk of loss. At September 30, 2022, $1.3 billion of our loans were substantially guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	**September 30, 2022**	December 31, 2021
Loans:		
Nonaccrual	**$ 113,156**	$ 114,423
Accruing restructured	**9,080**	6,931
Accruing loans 90 days or more past due	**7,609**	9,091
Total risk loans	**129,845**	130,445
Other property owned	**692**	10,342
Total risk assets	**$ 130,537**	$ 140,787
Total risk loans as a percentage of total loans	**0.5%**	0.5%
Nonaccrual loans as a percentage of total loans	**0.4%**	0.5%
Current nonaccrual loans as a percentage of total nonaccrual loans	**71.6%**	70.9%
Total delinquencies as a percentage of total loans	**0.3%**	0.4%

Note: Accruing loans include accrued interest receivable.

Our risk assets have decreased from December 31, 2021, and have remained at acceptable levels. Total risk loans as a percentage of total loans were well within our established risk management guidelines.

Nonaccrual loans remained at an acceptable level at September 30, 2022, and December 31, 2021.

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 September 30, 2022, and December 31, 2021, were adequately secured and in the process of collection, and as a result, were eligible to remain in accruing status.

The decrease in other property owned is primarily due to the sale of various properties that had been associated with one food and agribusiness customer (whose loans were charged off in 2021).

Allowance for Loan Losses

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

Allowance Coverage Ratios

As of:	**September 30, 2022**	December 31, 2021
Allowance as a percentage of:		
Loans	**0.2%**	0.3%
Nonaccrual loans	**52.0%**	55.7%
Total risk loans	**45.4%**	48.8%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at September 30, 2022. We will continue to monitor the allowance for loan losses and allowance coverage ratios on an ongoing basis and adjust levels as necessary based on the above factors, assumptions, and charge-off activity.

LOANS HELD FOR SALE

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

We sold loans originated under this program in the secondary market totaling $93.1 million through September 30, 2022, compared to $173.0 million for the same period in 2021. As of September 30, 2022, we had loans held for sale of $18.4 million, compared to $24.9 million as of December 31, 2021. The amount of loans sold in the secondary market has decreased along with the decreases in origination and conversion activity.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the nine months ended September 30	**2022**	2021
Net income	**$ 375,093**	$ 381,072
Return on average assets	**1.8%**	2.0%
Return on average equity	**11.0%**	12.1%

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 nine months ended September 30		2022		2021		Increase (decrease) in net income
Net interest income	$	**450,485**	$	410,132	$	**40,353**
Reversal of provision for loan losses		**(4,812)**		(21,963)		**(17,151)**
Non-interest income		**217,365**		224,261		**(6,896)**
Non-interest expense		**279,967**		258,623		**(21,344)**
Provision for income taxes		**17,602**		16,661		**(941)**
Net income	$	**375,093**	$	381,072	$	**(5,979)**

Net Interest Income

Net interest income increased as a result of overall loan growth during the nine months ended September 30, 2022, as well as the improved interest rate spreads due to the current rising interest rate environment.

Reversal of Provision for Loan Losses

The change in the reversal of provision for loan losses is based upon the calculated change in the allowance for loan losses during the year. See the Allowance for Loan Losses sub-section (in the Loans Held to Maturity section) for a discussion on the various factors impacting the allowance balance. The reversal of provision for loan losses for the nine months ended September 30, 2021, was based upon several unusual factors. First, at that time, it became clear that the initially anticipated negative economic impact of the pandemic on Compeer's loan portfolio would not materialize. Also during that time, we updated multiple qualitative assumptions utilized within the allowance model due to the continued overall credit quality improvement and low levels of net loan charge-offs. In addition, 2021 asset pool loan program transactions caused the removal of a portion of the allowance for loan losses held on loans sold to AgriBank. All of these circumstances contributed to the reversal shown here for that nine-month period in 2021. In contrast, during the nine months ended September 30, 2022, overall credit quality and adverse asset levels remained stable, with immaterial allowance for loan loss increases attributable to credit quality decreases on only a small number of loans, and only one additional assumption was updated within the allowance model. These factors resulted in a smaller reversal for the 2022 period shown.

Non-Interest Expense

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

Other Operating Expense: Various items contributed to the overall increase in other operating expense. During the nine months ended September 30, 2022, our nonqualified pension restoration plan costs increased as a result of changes in assumptions relating to the average remaining service years of plan participants. In addition, during the nine months ended September 30, 2022, both travel and training expenses increased as in-person meetings and events returned to normal levels after the pandemic. Increased gas, airline, and meal costs also contributed to higher travel and training expenses during this same timeframe.

Farm Credit System Insurance: The Farm Credit System insurance expense increased in 2022 due to a higher premium rate charged by the Farm Credit System Insurance Corporation (FCSIC) on accrual loans. The premium rate, which is primarily impacted by System growth, was 20 basis points for the nine months ended September 30, 2022, compared to a premium rate of 16 basis points for the same period of 2021. This premium rate increase is due to higher than anticipated growth within the Farm Credit System's insured debt obligations of about 10.2% in 2022. This increase will also allow the insurance fund to remain at the 2.0% secured base amount, after taking into account this System-wide growth. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time.

Salaries and Employee Benefits: The "Salaries and employee benefits" expense line on the Consolidated Statements of Comprehensive Income includes salary, benefit, and variable compensation expenses. These expenses are all higher during the nine months ended September 30, 2022, as compared to the same period during 2021, due to new employees brought on as the organization has grown, as well as increased variable compensation expense due to profitability and business level benchmarks reached during 2022.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable was scheduled to mature on September 30, 2023. However, it was renewed early for $35.0 billion with a maturity date of 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 September 30, 2022, or December 31, 2021.

Total equity increased $251.8 million from December 31, 2021, primarily due to net income for the period, which was partially offset by patronage distribution accruals, preferred stock dividend 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 2021 Annual Report for a more complete description of these ratios. Effective January 1, 2022, the FCA regulations slightly modified the calculation of the unallocated retained earnings and equivalents leverage ratio to include certain additional deductions. The modification did not have a material impact on this ratio.

Regulatory Capital Requirements and Ratios

As of:	**September 30, 2022**	December 31, 2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**13.6%**	13.9%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**14.3%**	14.6%	6.0%	2.5%	8.5%
Total capital ratio	**15.3%**	15.8%	8.0%	2.5%	10.5%
Permanent capital ratio	**15.2%**	15.7%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**14.5%**	14.9%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**12.8%**	14.7%	1.5%	N/A	1.5%

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

CERTIFICATION

The undersigned have reviewed the September 30, 2022, Quarterly Report of Compeer Financial , ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

David Peters
Chairperson of the Board
Compeer Financial, ACA

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

Jase L. Wagner
Chief Financial Officer
Compeer Financial, ACA

November 4, 2022

CONSOLIDATED STATEMENTS OF CONDITION

Compeer Financial, ACA
(in thousands)
(Unaudited)

As of:		September 30, 2022		December 31, 2021
ASSETS				
Loans held to maturity	**$**	**25,327,224**	$	24,490,167
Allowance for loan losses		**58,893**		63,700
Net loans held to maturity		**25,268,331**		24,426,467
Loans held for sale		**18,399**		24,896
Net loans		**25,286,730**		24,451,363
Unrestricted cash		**2,400**		2,400
Investment securities		**1,235,587**		1,125,961
Assets held for lease, net		**131,110**		119,515
Accrued interest receivable		**248,700**		170,502
Investment in AgriBank, FCB		**783,983**		751,956
Premises and equipment, net		**88,513**		84,411
Other assets		**344,319**		302,390
Total assets	**$**	**28,121,342**	$	27,008,498
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**22,766,087**	$	21,900,691
Subordinated debt		**200,000**		200,000
Accrued interest payable		**124,627**		69,847
Deferred tax liabilities, net		**52,490**		47,261
Patronage distribution payable		**112,239**		209,319
Other liabilities		**214,275**		181,590
Total liabilities		**23,469,718**		22,608,708
Contingencies and commitments (Note 4)				
EQUITY				
Preferred stock		**200,000**		200,000
Capital stock and participation certificates		**38,228**		34,630
Capital stock and participation certificates receivable		**(16,680)**		(6,589)
Additional paid-in capital		**1,780,603**		1,780,603
Allocated surplus		**267,500**		267,939
Unallocated surplus		**2,397,263**		2,142,989
Accumulated other comprehensive loss		**(15,290)**		(19,782)
Total equity		**4,651,624**		4,399,790
Total liabilities and equity	**$**	**28,121,342**	$	27,008,498

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Compeer Financial, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
For the period ended September 30	**2022**	2021	**2022**	2021
Interest income	**$ 276,691**	$ 212,795	**$ 739,267**	$ 627,680
Interest expense	**124,231**	77,959	**288,782**	217,548
Net interest income	**152,460**	134,836	**450,485**	410,132
Provision for (reversal of) loan losses	**3,517**	(11,524)	**(4,812)**	(21,963)
Net interest income after provision for (reversal of) loan losses	**148,943**	146,360	**455,297**	432,095
Non-interest income				
Patronage income	**43,215**	42,499	**124,407**	120,765
Net operating lease income	**1,964**	1,379	**5,568**	3,338
Financially related services income	**11,284**	9,879	**38,266**	34,111
Fee and other non-interest income	**20,785**	15,476	**49,124**	66,047
Total non-interest income	**77,248**	69,233	**217,365**	224,261
Non-interest expense				
Salaries and employee benefits	**55,091**	52,656	**165,132**	158,758
Farm Credit System insurance	**10,613**	7,535	**31,650**	23,582
Other operating expense	**27,363**	22,778	**74,427**	65,509
Other non-interest expense	**2,084**	6,107	**8,758**	10,774
Total non-interest expense	**95,151**	89,076	**279,967**	258,623
Income before income taxes	**131,040**	126,517	**392,695**	397,733
Provision for income taxes	**7,689**	6,760	**17,602**	16,661
Net income	**$ 123,351**	$ 119,757	**$ 375,093**	$ 381,072
Other comprehensive income				
Employee benefit plans activity	**$ 1,497**	$ 495	**$ 4,492**	$ 1,485
Total other comprehensive income	**1,497**	495	**4,492**	1,485
Comprehensive income	**$ 124,848**	$ 120,252	**$ 379,585**	$ 382,557

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Compeer Financial, ACA
(in thousands)
(Unaudited)

	Preferred Stock	Capital Stock and Participation Certificates and Receivable, Net	Additional Paid-in Capital	Allocated Surplus	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Equity
Balance at December 31, 2020	$ 100,000	$ 28,266	$ 1,780,603	$ 321,115	$ 1,813,294	$ (17,030)	$ 4,026,248
Net income	--	--	--	--	381,072	--	381,072
Other comprehensive income	--	--	--	--	--	1,485	1,485
Redemption of allocated patronage	--	--	--	(982)	91	--	(891)
Preferred stock issued	100,000	--	--	--	(2,420)	--	97,580
Preferred stock dividend	--	--	--	--	(9,025)	--	(9,025)
Other distributions	--	--	--	--	(5,040)	--	(5,040)
Unallocated surplus designated for patronage distributions	--	--	--	--	(95,600)	--	(95,600)
Capital stock and participation certificates issued	--	3,280	--	--	--	--	3,280
Capital stock and participation certificates retired	--	(2,791)	--	--	--	--	(2,791)
Additions to capital stock and participation certificates receivable, net	--	(812)	--	--	--	--	(812)
Balance at September 30, 2021	$ 200,000	$ 27,943	$ 1,780,603	$ 320,133	$ 2,082,372	$ (15,545)	$ 4,395,506
Balance at December 31, 2021	$ 200,000	$ 28,041	$ 1,780,603	$ 267,939	$ 2,142,989	$ (19,782)	$ 4,399,790
Net income	**--**	**--**	**--**	**--**	**375,093**	**--**	**375,093**
Other comprehensive income	**--**	**--**	**--**	**--**	**--**	**4,492**	**4,492**
Redemption of allocated patronage	**--**	**--**	**--**	**(439)**	**42**	**--**	**(397)**
Preferred stock issued	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Preferred stock dividend	**--**	**--**	**--**	**--**	**(11,625)**	**--**	**(11,625)**
Other distributions	**--**	**--**	**--**	**--**	**(5,379)**	**--**	**(5,379)**
Unallocated surplus designated for patronage distributions	**--**	**--**	**--**	**--**	**(103,857)**	**--**	**(103,857)**
Capital stock and participation certificates issued	**--**	**7,941**	**--**	**--**	**--**	**--**	**7,941**
Capital stock and participation certificates retired	**--**	**(4,343)**	**--**	**--**	**--**	**--**	**(4,343)**
Additions to capital stock and participation certificates receivable, net	**--**	**(10,091)**	**--**	**--**	**--**	**--**	**(10,091)**
Balance at September 30, 2022	**$ 200,000**	**$ 21,548**	**$ 1,780,603**	**$ 267,500**	**$ 2,397,263**	**$ (15,290)**	**$ 4,651,624**

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 nine months ended September 30, 2022, are not necessarily indicative of the results to be expected for the year ending December 31, 2022. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2021 (2021 Annual Report).

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

Recently Issued or Adopted Accounting Pronouncements

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

Standard and effective date	Description	Adoption status and financial statement impact
In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13 “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amended the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	We expect to adopt the standard as of January 1, 2023. We have completed development and validation of our model to estimate credit losses for our loan portfolio. The implementation of processes, procedures, internal controls, and policy updates are substantially complete. We are also in the process of drafting disclosures. We are evaluating the impact of the standard as it relates to our investment portfolio. The extent of the impact on our financial statements will depend on economic conditions, forecasts, and the composition of our loan and investment portfolios at the time of adoption. We do not expect the standard to have a significant impact on the financial statements related to our investment portfolio.
In March 2022, the FASB issued ASU 2022-02 “Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures.” The guidance is effective at the same time that ASU 2016-13 is adopted.	This guidance eliminates the accounting guidance for troubled debt restructurings by creditors in Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings.	We intend to adopt the standard concurrently with the adoption of ASU 2016-13 as amended. The adoption of this guidance is not expected to have a material impact on our financial statements, but will modify certain disclosures required under ASU 2016-13.

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

Loans by Type

(dollars in thousands)

As of:	**September 30, 2022**		December 31, 2021	
	Amount	%	Amount	%
Real estate mortgage	**$ 13,705,398**	**54.1%**	$ 13,410,996	54.8%
Production and intermediate-term	**3,581,167**	**14.2%**	4,115,583	16.8%
Agribusiness	**5,400,456**	**21.3%**	4,604,844	18.8%
Other	**2,640,203**	**10.4%**	2,358,744	9.6%
Total	**$ 25,327,224**	**100.0%**	$ 24,490,167	100.0%

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

Credit Quality

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

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

We had no loans categorized as loss at September 30, 2022, or December 31, 2021.

Credit Quality of Loans

(dollars in thousands)	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of September 30, 2022	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$ 13,471,786**	**97.2%**	**$ 116,198**	**0.8%**	**$ 276,113**	**2.0%**	**$ 13,864,097**	**100.0%**
Production and intermediate-term	**3,483,261**	**95.9%**	**50,097**	**1.4%**	**97,110**	**2.7%**	**3,630,468**	**100.0%**
Agribusiness	**5,202,872**	**96.0%**	**142,270**	**2.6%**	**76,852**	**1.4%**	**5,421,994**	**100.0%**
Other	**2,618,594**	**98.9%**	**23,930**	**0.9%**	**5,630**	**0.2%**	**2,648,154**	**100.0%**
Total	**$ 24,776,513**	**96.9%**	**$ 332,495**	**1.3%**	**$ 455,705**	**1.8%**	**$ 25,564,713**	**100.0%**

	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2021	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 12,982,494	96.1%	$ 240,739	1.8%	$ 290,393	2.1%	$ 13,513,626	100.0%
Production and intermediate-term	3,936,362	94.8%	98,376	2.4%	115,329	2.8%	4,150,067	100.0%
Agribusiness	4,403,524	95.3%	155,827	3.4%	60,489	1.3%	4,619,840	100.0%
Other	2,357,109	99.7%	1,718	0.1%	5,677	0.2%	2,364,504	100.0%
Total	$ 23,679,489	96.1%	$ 496,660	2.0%	$ 471,888	1.9%	$ 24,648,037	100.0%

Note: Accruing loans include accrued interest receivable.

Delinquency

Aging Analysis of Loans

(in thousands) **As of September 30, 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	**$ 27,132**	**$ 16,097**	**$ 43,229**	**$ 13,820,868**	**$ 13,864,097**	**$ 987**
Production and intermediate-term	**10,336**	**9,742**	**20,078**	**3,610,390**	**3,630,468**	**253**
Agribusiness	**4,400**	**1,849**	**6,249**	**5,415,745**	**5,421,994**	**--**
Other	**8,517**	**9,121**	**17,638**	**2,630,516**	**2,648,154**	**6,369**
Total	**$ 50,385**	**$ 36,809**	**$ 87,194**	**$ 25,477,519**	**$ 25,564,713**	**$ 7,609**

As of December 31, 2021	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 51,947	$ 14,655	$ 66,602	$ 13,447,024	$ 13,513,626	$ --
Production and intermediate-term	2,987	11,209	14,196	4,135,871	4,150,067	--
Agribusiness	--	1,853	1,853	4,617,987	4,619,840	--
Other	17,410	10,554	27,964	2,336,540	2,364,504	9,091
Total	$ 72,344	$ 38,271	$ 110,615	$ 24,537,422	$ 24,648,037	$ 9,091

Note: Accruing loans include accrued interest receivable.

Risk Loans

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

Risk Loan Information

(in thousands) As of:	**September 30, 2022**	December 31, 2021
Volume with specific allowance	**$ 47,931**	$ 46,287
Volume without specific allowance	**81,914**	84,158
Total risk loans	**$ 129,845**	$ 130,445
Total specific allowance	**$ 15,330**	$ 18,669
For the nine months ended September 30	**2022**	2021
Income on accrual risk loans	**$ 663**	$ 550
Income on nonaccrual loans	**4,882**	1,063
Total income on risk loans	**$ 5,545**	$ 1,613
Average risk loans	**$ 129,802**	$ 158,397

Note: Accruing loans include accrued interest receivable.

We had no material commitments to lend additional money to borrowers whose loans were classified as risk loans at September 30, 2022.

Troubled Debt Restructurings (TDRs)

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

TDR Activity

(in thousands) Nine months ended September 30	**2022**		2021	
	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	**$ --**	**$ --**	$ 1,490	$ 2,165
Production and intermediate-term	**--**	**--**	3,974	3,451
Total	**$ --**	**$ --**	$ 5,464	$ 5,616

Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.

The primary types of modification included deferral of principal and interest rate reduction below market.

There were no TDRs that defaulted during the nine months ended September 30, 2022, or 2021, in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:		September 30, 2022		December 31, 2021
Accrual status:				
Real estate mortgage	**$**	**8,006**	$	6,514
Production and intermediate-term		**1,074**		417
Other		**--**		--
Total TDRs in accrual status	**$**	**9,080**	$	6,931
Nonaccrual status:				
Real estate mortgage	**$**	**1,266**	$	3,453
Production and intermediate-term		**2,041**		3,098
Other		**134**		148
Total TDRs in nonaccrual status	**$**	**3,441**	$	6,699
Total TDRs:				
Real estate mortgage	**$**	**9,272**	$	9,967
Production and intermediate-term		**3,115**		3,515
Other		**134**		148
Total TDRs	**$**	**12,521**	$	13,630

There were no material commitments to lend to borrowers whose loans have been modified in a TDR at September 30, 2022.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) Nine months ended September 30		2022		2021
Balance at beginning of period	**$**	**63,700**	$	89,157
Reversal of provision for loan losses		**(4,812)**		(21,963)
Loan recoveries		**311**		168
Loan charge-offs		**(306)**		(918)
Balance at end of period	**$**	**58,893**	$	66,444

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $1.2 billion at September 30, 2022, and $1.1 billion at December 31, 2021. Our investment securities consisted of:

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

The investment securities have been classified as held-to-maturity. MBS are generally longer-term investments and ABS are generally shorter-term investments. Farmer Mac guaranteed investments are typically MBS while SBA and USDA guaranteed investments may be composed of either MBS or ABS. All of our investment securities, except $57.6 million at September 30, 2022, compared to $55.2 million at December 31, 2021, were fully guaranteed by Farmer Mac, SBA, or USDA.

The investment portfolio is evaluated for other-than-temporary impairment. No investments within the portfolio were impaired at September 30, 2022, or December 31, 2021.

Additional Investment Securities Information

(dollars in thousands) **As of September 30, 2022**		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value	Weighted Average Yield
MBS and bonds	**$**	**676,812**	**$**	**785**	**$**	**(67,200)**	**$**	**610,397**	**3.5%**
ABS		**558,775**		**83**		**(31,113)**		**527,745**	**1.3%**
Total	**$**	**1,235,587**	**$**	**868**	**$**	**(98,313)**	**$**	**1,138,142**	**2.5%**

As of December 31, 2021		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value	Weighted Average Yield
MBS and bonds	$	741,708	$	11,357	$	(13,441)	$	739,624	3.9%
ABS		384,253		2,712		(3,611)		383,354	0.6%
Total	$	1,125,961	$	14,069	$	(17,052)	$	1,122,978	2.8%

Investment income is recorded in "Interest income" in the Consolidated Statements of Comprehensive Income and totaled $21.7 million and $24.2 million for the nine months ended September 30, 2022, and 2021, respectively.

Contractual Maturities of Investment Securities

(in thousands) **As of September 30, 2022**		Amortized Cost
Less than one year	**$**	**17,428**
One to five years		**28,739**
Five to ten years		**333,589**
More than ten years		**855,831**
Total	**$**	**1,235,587**

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

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

(in thousands)	Less than 12 months				Greater than 12 months			
As of September 30, 2022		Fair Value		Unrealized Losses		Fair Value		Unrealized Losses
MBS and bonds	**$**	**365,351**	**$**	**(32,073)**	**$**	**217,276**	**$**	**(35,127)**
ABS		**397,154**		**(22,465)**		**126,416**		**(8,648)**
Total	**$**	**762,505**	**$**	**(54,538)**	**$**	**343,692**	**$**	**(43,775)**

	Less than 12 months				Greater than 12 months			
As of December 31, 2021		Fair Value		Unrealized Losses		Fair Value		Unrealized Losses
MBS and bonds	$	275,664	$	(7,370)	$	115,138	$	(6,071)
ABS		105,618		(1,862)		110,123		(1,749)
Total	$	381,282	$	(9,232)	$	225,261	$	(7,820)

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

NOTE 4: CONTINGENCIES AND COMMITMENTS

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

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

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

NOTE 5: FAIR VALUE MEASUREMENTS

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

Recurring Basis

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

Loans Held For Sale: The loans held for sale portfolio is held at fair value. Fair value is based on quoted market prices, where available, or the prices for other similar mortgage loans with similar characteristics. As necessary, these prices are adjusted for typical securitization activities, including servicing value, portfolio composition, market conditions, and liquidity. We had loans held for sale of $18.4 million and $24.9 million as of September 30, 2022, and December 31, 2021, respectively, which were valued using Level 3 inputs. Total fair value losses related to these loans were $64 thousand and $11 thousand for the nine months ended September 30, 2022, and 2021, respectively, which were recognized in "Fee and other non-interest income" in the Consolidated Statements of Comprehensive Income.

Derivatives: If an active market exists, the fair value of our derivative financial instruments called TBAs is based on currently quoted market prices. We had TBAs with a notional value of $3.0 million and $8.5 million as of September 30, 2022, and December 31, 2021, respectively, which were used to manage exposure to interest rate risk and changes in the fair value of loans held for sale and the interest rate lock commitments that are determined prior to funding. These derivatives were recorded on a net basis using Level 1 fair value inputs. Net losses related to TBAs sold, combined with fair value gains on the TBAs, resulted in a net gain of $1.2 million and $141 thousand for the nine months ended September 30, 2022, and 2021, respectively, which were recognized in "Fee and other non-interest income" in the Consolidated Statements of Comprehensive Income.

Non-Recurring Basis

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

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

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

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of September 30, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	**$ --**	**$ --**	**$ 34,231**	**$ 34,231**
Other property owned	**--**	**--**	**806**	**806**

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

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through November 4, 2022, which is the date the Consolidated Financial Statements were available to be issued.

In previous years, we sold a participation interest in certain loans to AgriBank as part of pool programs. Refer to the 2021 Annual Report for additional discussion on these programs. On October 1, 2022, we sold a participation interest in additional certain loans and unfunded loan commitments to AgriBank for a total of $326.8 million and $125.8 million, respectively. These loans were not reclassified to loans held for sale as of September 30, 2022, as neither the fair value adjustment, nor the adjustment to the allowance for loan losses as a result of the sale was material to the financial statements.

There have been no other material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.