

REDEFINING RESILIENCE

2021 ANNUAL REPORT

CONTENTS

- 4 Solutions for Resiliency
- 6 Resilient in Numbers
- 8 Leading with Resilience
- 10 Digital Options Bring Flexibility
- 12 Tools for Resiliency
- 14 The Next Generation of Farmers
- 16 Taking Ag to Capitol Hill
- 18 Leadership Message
- 19 Financial Report





REDEFINING RESILIENCE

Looking back, you could say 2021 was an epic year. In some ways, it was epically good. In other ways, epically challenging. But through it all, **resilience abounded** for our member-owners, our team and our organization.

Compeer Financial® clients and team members are redefining what it means to be resilient in agriculture and rural America by **facing challenges head-on, adapting to immense change and finding opportunities** in the midst of what sometimes felt like epic chaos.

Together, we are redefining resilience in how we **persevere and forge ahead**. We're redefining resilience in how we **embrace innovative solutions** to previously unencountered challenges. We're redefining resilience in how we **seek out new opportunities and plan for the future**.

Compeer Financial is a cooperative that is proud to partner with our member-owners. Your resilience and determination move agriculture forward. As the world around us continues to change and you work to meet the emerging demands of the industry, we are glad to be by your side, boldly redefining what it means to be resilient.

SOLUTIONS FOR RESILIENCY

Compeer Financial is a member-owned Farm Credit cooperative serving and supporting agriculture and rural communities. We provide loans, leases, risk management and other financial services throughout 144 counties in Illinois, Minnesota and Wisconsin. Compeer exists to champion the hopes and dreams of rural America.



Products and Services

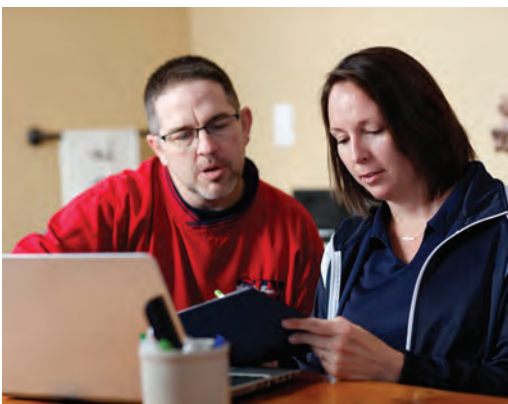
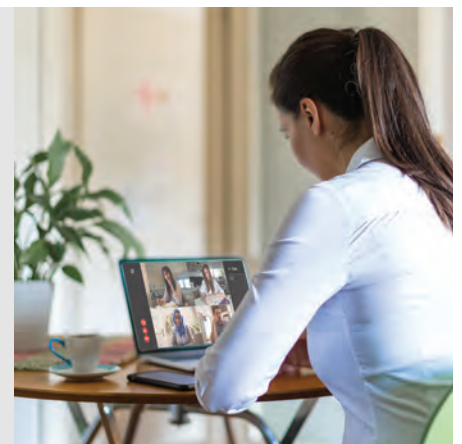
Compeer Financial is dedicated to helping farmers and rural America by offering a diverse product and service portfolio, including:

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

Client Events and Education

In 2021, Compeer continued to offer both in-person and virtual educational events to our clients and the agriculture industry. We know that continued learning is key to success in agriculture, and our events, webinars and educational tools are tailored with content specifically for our clients and their operations.

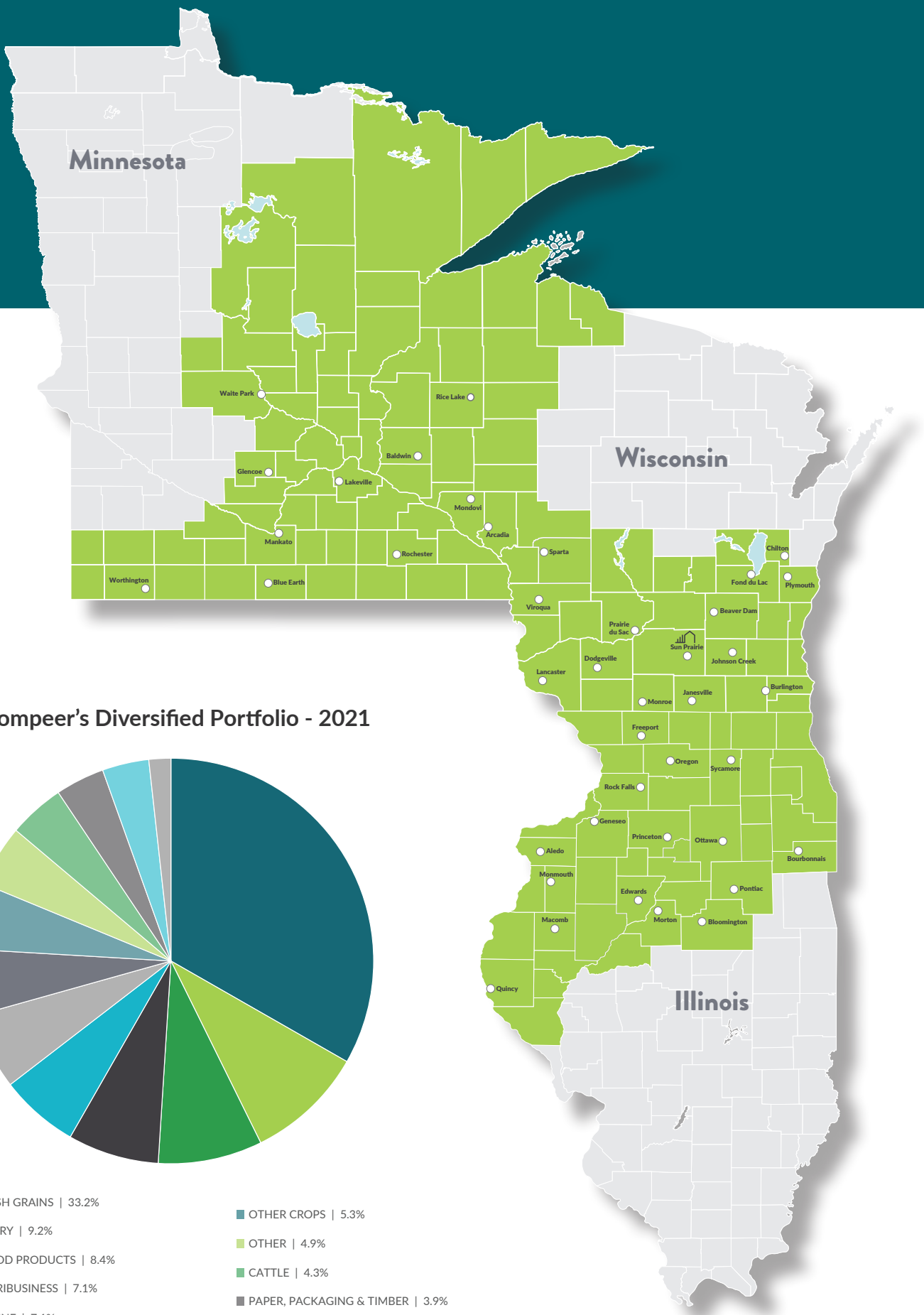
On the MyLearning platform, clients can find free customized videos, interactive modules and downloadable tools and worksheets to further advance their education. Clients can access MyLearning within the MyCompeer portal.



Online Applications

Compeer is dedicated to providing personalized services to fit our clients' financing needs. That's why we recently introduced new ways for clients to apply for financing from the comfort of their home, while out in the tractor or anywhere that's convenient.

With our new online applications, clients can seamlessly apply for financing. We know time is valuable and applying for financing can feel like a big hurdle to overcome. Clients can visit compeer.com and click 'Apply Now' for agriculture real estate financing and refinancing or sign in to their MyCompeer account to apply for real estate, operating and term loans.





RESILIENT IN NUMBERS

At Compeer Financial, we aim to provide a wide array of financial options for operations of all sizes while bringing stability, security and growth to the organization.

Our forward-thinking approach allows us to provide innovative and customized financial solutions to our clients, while positioning Compeer for a resilient and successful future with a diversified portfolio.

We are committed to the cooperative model and the value it brings to our member-owners as it gives us the opportunity to grow together.



\$27^B
IN FINANCIAL ASSETS

Compeer Financial grew total assets to \$27 billion and increased total equity to \$4.4 billion in 2021.



\$197^M
PATRONAGE RETURNED

In 2021, Compeer Financial returned a total of \$197 million in patronage to member-owners. Clients received more than \$52 million in allocated equity payments early in the year. In the summer, member-owners received cash patronage payments of more than \$145 million. Compeer expects to return \$202 million in patronage to clients in 2022.



GIVING BACK TO RURAL AMERICA

Compeer Financial is committed to supporting agriculture and rural communities by giving back through two different funds.



1%
OF EARNINGS

The Fund for Rural America, Compeer's corporate giving program, allocated 1% of net income to help support grant programs, scholarships and annual commitments throughout our territory. These efforts gave back nearly \$4.4 million in 2021.

In 2021, Compeer also committed \$1.9 million from the Agriculture and Rural Initiative, our donor-advised fund, to further develop the agriculture workforce over the next five years. Grants and scholarships will go to 30 community and technical colleges across Illinois, Minnesota and Wisconsin to fund needs for agriculture vocational education.

\$1.9^M
FOR AG WORKFORCE
DEVELOPMENT



72,678
MEMBER-OWNERS



1,300
TEAM MEMBERS

LEADING WITH RESILIENCE

Meet our Executive Leadership Team and Board of Directors

Executive Leadership Team

Compeer Financial is led by a 10-member executive leadership team that oversees the cooperative's day-to-day operations. The leadership team has extensive experience and expertise in the Farm Credit System.



ROD HEBRINK
President & CEO



MATT GINDER
Chief Core Markets Officer



JOHN HEMSTOCK
Chief Talent & Technology Officer



TERRY HINDS
Chief Asset Quality & Assurance Officer



PAUL KOHLS
Chief Lending Operations Officer & General Counsel



JOHN MONSON
Chief Mission & Marketing Officer



BILL MOORE
Chief Risk Officer



JIM ROBERGE
Chief Diversified Markets Officer



JASE WAGNER
Chief Financial Officer



JERRY WIESE
Chief Information Officer



Board of Directors

The member-owners of Compeer Financial are represented by 17 directors – 14 of whom are elected and three who are appointed.

The directors represent various types of farming operations, agricultural industries and geographic locations, bringing diverse viewpoints to board discussions and decision making.

They set business direction and evaluate operations, while taking into consideration client needs and the changing marketplace.



AKIN AGAR



ASHLEY AHL



RODNEY BOSMA



ANN BROOME



ALLYN BUHROW



MARK CADE



KAYE COMPART



DAN ERICKSON



TIM EVERT



LARRY FISCHER



DALE HOLMGREN



GREG NELSON



ROGER NEWELL



DAVID PETERS



GREG POLLESCH



KIMBERLY WEDIG



STEPHANIE WISE





DIGITAL OPTIONS BRING FLEXIBILITY

The people you need, the technology you want

From chore-hand to head of human resources — and everything between — Compeer Financial clients wear many hats as farmers and businesspeople. The everyday headaches and unexpected twists that come with managing an operation are a given.

That's why our clients need tools and resources that save time, effort and hassle. Fast and easy are definite benefits of living in today's high-tech world. But, sometimes, leveraging technology feels like sacrificing personal guidance and connections.

Not at Compeer Financial. Whether our member-owners are on the farm, at home, at a Compeer office or online, our tools and technology provide many choices in how we partner together. Innovative and client-approved, our digital solutions are there to help easily and conveniently manage accounts and assess the financial health of client operations.

"Digital tools are part of the landscape of our lives," noted Lori Laflin, Compeer's vice president of client experience and digital strategy. "We're all looking for faster, easier and more efficient ways to do our daily

tasks. At Compeer, we see digital tools as a way to enhance the personal relationships we have with our clients."

Hazel Seira, who manages Compeer's Contact Center, leads the organization's new Digital Client Care Team, consisting of four team members devoted to helping clients with technological tools and platform use.

"We're working hard to continually innovate, test and change," Seira said. "Our team works very closely with the technical teams at Compeer who develop these tools to share client feedback. Overall, we're very intentional about letting our clients' needs guide our path to improve and expand our digital offerings."

ONLINE BANKING

Leading the way in digital experience is our Online Banking platform, which makes managing money easy.

Designed with agriculture and rural America in mind, Online Banking never closes. Clients can check balances and manage accounts when and where it's convenient for them through the Mobile Banking app.



Protecting clients' financial information is our highest priority, and our Online Banking and Mobile Banking tools are designed with multi-layered security to protect accounts and safeguard information.

BUSINESS BANKING

Compeer clients can move money safely and automatically by setting up direct payments through ACH (Automated Clearing House) or wire transfers. It's convenient and reliable and can save time by scheduling funds to easily transfer directly to recipients. Clients can even send funds to another bank account or investment account.

MYCOMPEER

Created with our clients in mind, MyCompeer brings secure online access 24 hours a day, accessible via desktop, tablet or smartphone.

From viewing statements and submitting balance sheets online to participating in online courses and educational events available only to clients, MyCompeer provides a safe and secure platform for all things Compeer. And it recognizes the information and insights that are important to a client, bringing the details front and center whenever clients log on.



DIGITAL SOLUTIONS

When clients asked for a simpler way to sign paperwork, the convenience of online loan closings and easy-to-access crop insurance tools, we delivered an array of digital offerings that make life easier:

- Online loan closing options for enhanced accuracy and time savings, from anywhere.
- Crop insurance tools include automatic renewals (for appropriate clients), making it fast and easy. Our Optimum tool is also available, using individual farm data to create a clean, easy-to-understand output of risk management options, value and pricing.
- Our online application, for farm real estate purchases up to \$2.5 million, provides a decision in as little as 10 minutes.
- Online mortgage tools connect clients to a local mortgage specialist and display the status of an application in real time.
- From cash crops to timber and operations large and small, Compeer's exclusive risk management and analyzer tools help manage risk via interactive reports that help take the emotion out of marketing decisions.

At Compeer, we're proud that our digital solutions are high tech and user-friendly, but one of the biggest impacts they're having is on client experiences. Relationships will always be a cornerstone at Compeer, and our online offerings are just another way of enhancing those relationships and encouraging clients to leverage their connection with us for financial guidance and industry expertise.

"Digital experiences will expand the value of the personal partnerships we enjoy with our clients," Laflin said, "which in turn will help our clients reach their business and personal goals."

TOOLS FOR RESILIENCY

As a trusted financial services partner, Compeer Financial is committed to providing robust and secure online tools to help our clients make informed decisions and get business done.

Check out some of the benefits of our most popular digital tools.

Learn more about these and other digital tools at compeer.com/online-services.



ONLINE BANKING

- Pay bills
- View account balances
- Transfer funds
- View statements
- Create customized account alerts
- Connect external accounts
- Integrate your financial information with QuickBooks



MOVE MONEY AUTOMATICALLY

When you need to send money, you can utilize Online Banking or you can also call the team at Compeer to help you set up a wire transfer or direct payment through ACH (Automated Clearing House). Compeer provides a variety of options that are convenient and reliable.



DOCUMENT E-SIGNATURES

- Convenient
- Flexible
- Secure
- Accurate



MYCOMPEER

- Gain 24/7 access to information, securely from any device
- View account balances, payment information, statements, billings and other account documentation
- Securely exchange documents with the Compeer team
- Create and submit balance sheets online with our interactive tool
- View crop insurance documents
- Access MyLearning, educational resources and courses
- View contact information for Compeer team members
- Manage contact information
- Renew operating loan (qualifying loans only)



MOBILE BANKING

- Manage funds, check balances or pay bills in the app
- Deposit checks remotely
- Transfer funds
- Instantly view balances
- View account details and history
- Touch ID and Facial Recognition enabled



TAX & ACCOUNTING PORTAL

Clients can securely send and receive tax and accounting files and documents, making it easy, fast and convenient.



MARGIN MANAGER

Our Margin Manager tools help manage risk in an operation, with interactive reports to analyze individual risk.

Grain Margin Manager

- Cash land calculator to help determine value per acre
- Machinery calculator to understand cost per acre
- Whole farm budget to understand projected income and expenses
- Track and plan grain sales and insurance

Dairy Margin Manager

- Calculate and determine projected income and expenses
- Create projected cash flow summaries
- Understand profit margins per cow
- Analyze debt payments

Timber Margin Manager

- Model current forestry operation



ONLINE LOAN CLOSINGS

- Convenient
- Guaranteed accuracy



ONLINE MORTGAGE TOOLS

- Online mortgage application
- Find a local mortgage specialist
- View application status in real time
- Calculators and additional online tools



CROP INSURANCE RENEWALS

Compeer Financial offers a tool for clients to renew their crop insurance policies online, making renewal fast and easy.



OPTIMUM TOOL

This exciting solution totally changes the crop insurance game.

Our Optimum tool runs through 100,000 simulations using actual client data, considering the varying yields the producer could raise, market prices, volatility in the market and possible input costs, to give the most likely outcome the client could see in the coming year.



DRP ANALYZER

Compeer's Dairy Revenue Protection (DRP) Analyzer is a one-stop shop for DRP updates and information specific to an individual operation, for more effective risk management decisions.

- Create a financial history for up to three years
- Make projections and model "what-if" scenarios
- Premium quoter
- Endorsement tracking
- Market dynamics
- Operation overview

THE NEXT GENERATION OF FARMERS

GroundBreakers program equips young farmers for a resilient future

Starting a career in farming comes with its own unique set of challenges. While farming is a way of life, it is also a business. Young farmers forging their own paths often need guidance and resources to get started on that journey, no matter what generation they are on the farm. That's where Compeer Financial's GroundBreakers program comes in.

GroundBreakers are young and beginning farmers who are ready to face new challenges head-on and redefine what it means to be resilient in rural America, but may need a stronger knowledge base to help them be successful in agriculture. Knowing your numbers and breakeven points and having the ability to make sound decisions are basic keys to success in the industry — and Compeer Financial helps clients get there.

"We're doing everything from sitting down at the kitchen table and helping new farmers put together their first balance sheet to working through cash flow projections with them," said Paul Dietmann, senior focused lending specialist at Compeer. "We meet with our newer farmers several times a year to go over progress they've made, where their strengths and vulnerabilities are, and help them make decisions about capital investments."

TEAM RELATIONSHIP MODEL

The expertise at Compeer reaches well beyond financial management. Team members who specialize in specific crop or livestock management often join financial officers to advise Compeer clients. Called the Team Relationship Model, it can help clients with insights into life insurance, transition and succession planning, and more — all important aspects, especially for new farmers.

"Agriculture is our primary focus at Compeer," said Nicole Skroch, financial officer at Compeer. "So farmers really reap those benefits. We bring not only a solid understanding of agriculture but also competitive long-term interest rates a lot of other financial institutions don't have the ability to provide like we do in the Farm Credit System."

GROUNDBREAKERS CONFERENCE

Each year, GroundBreakers from across Illinois, Minnesota and Wisconsin gather to learn from and connect with peers and industry experts. The two-day GroundBreakers Conference leaves participants recharged and connected with other young farmers, creating a network for continued support and guidance.

"The GroundBreakers Conference is a valuable networking opportunity for this segment of our clientele," Skroch noted. "Many of our young farmers are also eager to learn more on topics related to their livelihood, and this event connects them with industry experts on a variety of farming topics while strengthening their peer networks."

The GroundBreakers Conference takes place in February each year.

FAMILY TRANSITIONS

With a focus on relationships, the lending team at Compeer knows transitioning the farm to a new generation can sometimes be difficult to navigate. That's why we make sure all generations have a seat at the table during every step in the process.

"A favorite part of my job is seeing a young farmer who's coming back to the farm, typically with mom and dad's help, and getting started on their own," said Dana Wiegand, financial officer at Compeer. "Whether it's buying livestock, their first piece of ground or equipment, it's very special to watch them grow."

The Compeer Financial team is proud to work with the young and beginning farmers who are forging new paths in the industry — whether they are continuing a farming legacy that started generations before or breaking new ground for the first time.

Top right: Compeer Clients attend the 2020 GroundBreakers Conference in Lake Geneva, Wis. Bottom: Sai Thao, financial officer at Compeer, and Andy Petran, Compeer's 2021 GroundBreaker of the Year

GroundBreakers Stats

"At Compeer Financial, we have a passion for helping the next generation of young, beginning farmers," noted Paul Dietmann, senior focused lending specialist at Compeer. "One way we do this is with our GroundBreakers program."

The GroundBreakers program is for any Compeer client considered a young, beginning or small farmer:

- **Young:** Under 35 years of age
- **Beginning:** Fewer than 10 years of farming experience
- **Small:** Less than \$250,000 in gross farm income

To find out more about GroundBreakers, visit compeer.com/beginningfarmers.



TAKING AG TO CAPITOL HILL

Compeer participates in Farm Credit Fly-In

In November 2021, Farm Credit Associations from across the country descended on Washington, D.C., to tell the story of resilience in agriculture and rural America at the 2021 Farm Credit Fly-In. As part of the event, Compeer Financial leaders and board members met with 20 congressional leaders from districts in Illinois, Minnesota and Wisconsin.

"The Farm Credit System is the largest credit provider to agriculture in the U.S., and because Compeer Financial is the third largest Farm Credit association, it's vital we tell our story to lawmakers at every level," explained Perry Aasness, vice president of legislative affairs for Compeer Financial. "At the Fly-In, we shared the innovative work our member-owners are doing with climate-smart agriculture and the positive impacts the Paycheck Protection Program had for our clients."

Discussion during the meetings also focused on Compeer's work in helping finance rural infrastructure to critical access hospitals and other facilities, as well as legislation that could support new investments in rural businesses, like the Rural Capital Access Act. The Compeer team also shared with lawmakers the impact our patronage program has on returning dollars back to our member-owners.

"It's important that we tell the story of agriculture and let members of Congress know how Compeer supports our clients and others in the farming community," Aasness said. "These meetings are very effective in sharing the experiences of rural America and building relationships for our association on behalf of our member-owners."

The Fly-In included a reception that closely resembled a farmers market. There, lawmakers and key policymakers experienced Farm Credit clients' stories while sampling an assortment of the products they produce. Compeer Financial shared beef jerky made by Monogram Meat Snacks in Chandler, Minn., and gourmet popcorn produced by Rural Route 1 Popcorn in Montfort, Wis. Nearly 1,300 people attended the marketplace reception.

Beyond the Fly-In, Compeer is actively involved in legislative and regulatory issues at the state and national levels throughout the entire year.

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

As we move into 2022 and work begins on crafting the 2023 Farm Bill, Compeer Financial remains committed to advocating for legislation and policies that will benefit our clients in agriculture and rural America.

At top: Compeer leadership met with staff from Minnesota Congressman Tom Emmer's office. At left: Wisconsin Congressman Tom Tiffany stopped by Compeer's table at the marketplace reception in Washington, D.C. Middle right: Compeer met with staff from Minnesota Congressman Jim Hagedorn's office. Bottom right: Compeer shared beef jerky and popcorn with attendees at the marketplace reception.





DEAR MEMBER-OWNERS,

Over the last year, our clients have redefined what it means to be resilient in agriculture and rural America. Through a long period of uncertainty and challenges in the industry — from continued impacts of the COVID-19 pandemic, challenges in the labor market, unfavorable weather conditions and more — our clients have persevered. As time went on, commodity prices improved, giving many the opportunity to enhance their financial position or build on their prior success.

2021 RESULTS

Compeer Financial saw solid performance in nearly all aspects of our business in 2021, a sign of client fortitude and improving economic conditions. Our credit quality remains strong and our diverse portfolio, paired with prudent risk management, helped the cooperative end the year in a solid position. We grew by more than \$2 billion, with assets now totaling \$27 billion.

Because of these strong results, Compeer Financial will return \$202 million in patronage to our member-owners in 2022, an increase of \$5 million. It's the fourth consecutive year our Board of Directors has increased patronage returns. By the end of 2022, we'll have given back more than \$890 million in patronage since the formation of Compeer in 2017.

COMMITTED TO SERVING RURAL AMERICA

The cooperative's solid performance means the organization can continue our strong commitment of providing support to agriculture and rural America through our giving initiatives. Compeer Financial dedicates 1 percent of annual net earnings to support a wide array of organizations and programs. Through our scholarship program, we are proud to support students who are hoping to make a mark in agriculture. Our grants program for emergency responders provides vital lifesaving equipment for volunteer fire and ambulance departments in rural America. And, through gifts to regional foodbanks, our commitment to helping those facing food insecurity is stronger than ever, helping more than 1.5 million people every year.

In 2021, Compeer Financial partnered with the Rural Schools Collaborative to award \$150,000 in Rural Schools Innovation Grants to 22 schools across Illinois, Minnesota and Wisconsin that developed exemplary innovative programs during the pandemic. Additionally, with a goal to bolster vocational agriculture education programs and make them more accessible to young

adults, Compeer's donor-advised fund, the Agriculture and Rural Initiative, has committed \$1.9 million in grants and scholarships over the next five years to 30 community and technical colleges.

Our commitment to serving rural America is more than just philanthropy. The 1,300 team members at Compeer Financial have a deep passion and dedication for serving our clients, our communities and moving the industry forward. We value the relationships we have with our clients and are proud of what we do every single day to enrich their vital work to provide fiber, food and fuel to a growing world.

A RESILIENT FUTURE

This summer will mark five years since the merger of three Farm Credit associations to form Compeer Financial. We've managed to do remarkable things during this time — it's a milestone worthy of celebration.

Given the incredible amount of work by many individuals to build a solid and resilient foundation for this cooperative and the organization's exceptional operational performance, Compeer is in a strong position for a change in leadership. In late 2021, Rod Hebrink announced his intention to retire as president and CEO, effective in January 2023.

The Board of Directors has started the process of building a succession and transition plan for the CEO position and is committed to finding a strong leader who exemplifies the mission and values of Compeer Financial, with a dedication to serving our member-owners.

We are excited for what the future holds as Compeer is poised to make an even bigger impact for our clients in agriculture and rural America.

Sincerely,



Rod Hebrink, President and CEO



David H. Peters, Chairperson of the Board

FINANCIAL REPORT

TABLE OF CONTENTS

Compeer Financial, ACA

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA	21
MANAGEMENT'S DISCUSSION AND ANALYSIS	22
REPORT OF MANAGEMENT	35
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING	36
REPORT OF AUDIT COMMITTEE	37
REPORT OF INDEPENDENT AUDITORS	38
CONSOLIDATED FINANCIAL STATEMENTS	40
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	44
DISCLOSURE INFORMATION REQUIRED BY REGULATIONS	67
YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS	73
FUNDS HELD PROGRAM	75

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Compeer Financial, ACA

(dollars in thousands)

As of December 31	2021	2020	2019	2018	2017
Condensed Consolidated Statement of Condition Data					
Loans held to maturity	\$ 24,490,167	\$ 22,585,104	\$ 19,903,565	\$ 18,753,659	\$ 17,749,021
Allowance for loan losses	63,700	89,157	78,504	59,928	48,849
Net loans held to maturity	24,426,467	22,495,947	19,825,061	18,693,731	17,700,172
Loans held for sale	24,896	51,541	27,807	18,496	30,062
Net loans	24,451,363	22,547,488	19,852,868	18,712,227	17,730,234
Unrestricted cash	2,400	2,300	2,300	2,300	2,200
Investment securities	1,125,961	1,149,438	1,172,537	995,140	879,258
Investment in AgriBank, FCB	751,956	662,203	623,330	567,596	514,712
Other assets	676,818	580,842	532,898	476,974	418,947
Total assets	\$ 27,008,498	\$ 24,942,271	\$ 22,183,933	\$ 20,754,237	\$ 19,545,351
Obligations with maturities of one year or less	\$ 508,017	\$ 458,019	\$ 449,418	\$ 413,132	\$ 16,133,714
Obligations with maturities greater than one year	22,100,691	20,458,004	17,927,105	16,739,126	--
Total liabilities	22,608,708	20,916,023	18,376,523	17,152,258	16,133,714
Preferred stock	200,000	100,000	100,000	100,000	100,000
Capital stock and participation certificates	34,630	33,842	32,737	33,062	34,213
Capital stock and participation certificates receivable	(6,589)	(5,576)	--	--	--
Additional paid-in capital	1,780,603	1,780,603	1,780,603	1,780,603	1,780,603
Allocated surplus	267,939	321,115	373,898	426,776	523,252
Unallocated surplus	2,142,989	1,813,294	1,531,824	1,272,556	980,818
Accumulated other comprehensive loss	(19,782)	(17,030)	(11,652)	(11,018)	(7,249)
Total equity	4,399,790	4,026,248	3,807,410	3,601,979	3,411,637
Total liabilities and equity	\$ 27,008,498	\$ 24,942,271	\$ 22,183,933	\$ 20,754,237	\$ 19,545,351
For the year ended December 31	2021	2020	2019	2018	2017
Condensed Consolidated Statement of Income Data					
Net interest income	\$ 549,849	\$ 524,053	\$ 481,789	\$ 474,567	\$ 347,964
(Reversal of) provision for loan losses	(15,000)	27,894	20,777	15,249	13,806
Other expenses, net	66,499	56,267	64,391	55,472	69,300
Net income	\$ 498,350	\$ 439,892	\$ 396,621	\$ 403,846	\$ 264,858
Key Financial Ratios					
For the Year					
Return on average assets	2.0%	1.9%	1.9%	2.0%	1.9%
Return on average equity	11.7%	11.1%	10.6%	11.5%	11.1%
Net interest income as a percentage of average earning assets	2.3%	2.4%	2.4%	2.5%	2.6%
Net charge-offs as a percentage of average loans	0.0%	0.1%	0.0%	0.0%	0.0%
At Year End					
Equity as a percentage of total assets	16.3%	16.1%	17.2%	17.4%	17.5%
Allowance for loan losses as a percentage of loans	0.3%	0.4%	0.4%	0.3%	0.3%
Common equity tier 1 ratio	13.9%	14.3%	15.0%	14.7%	14.2%
Tier 1 capital ratio	14.6%	14.7%	15.5%	15.2%	14.7%
Total capital ratio	15.8%	15.2%	15.9%	15.6%	15.1%
Permanent capital ratio	15.7%	15.0%	15.9%	15.7%	15.7%
Tier 1 leverage ratio	14.9%	14.8%	15.4%	15.3%	15.0%
Net Income Distributed					
For the Year					
Patronage distributions: ¹					
Cash	\$ 145,000	\$ 125,000	\$ 99,142	\$ 47,728	\$ --
Redemption of allocated surplus	52,000	52,000	52,436	118,561	25,847
Allocated surplus	--	--	--	--	28,570
Other distributions	6,758	6,198	5,007	1,562	1,296
Preferred stock dividends	9,025	6,750	6,750	6,750	6,750
Other					
Gross pool program loans serviced for AgriBank, FCB	2,172,517	1,767,208	1,968,256	2,088,888	1,807,402

¹Additional information regarding the patronage programs is included in Note 9 to the accompanying Consolidated Financial Statements.

The merger between 1st Farm Credit Services, ACA (1st FCS), AgStar Financial Services, ACA (AgStar), and Badgerland Financial, ACA (Badgerland) was effective July 1, 2017. The effects of the merger with 1st FCS and Badgerland are included in our financial position for all periods presented. Results of operations and equity reflect the results of AgStar prior to July 1, 2017, and the merged Association after July 1, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Compeer Financial, ACA

The following commentary reviews the consolidated financial condition and consolidated results of operations of Compeer Financial, ACA (the Association or Compeer) and its subsidiaries, Compeer Financial, FLCA and Compeer Financial, PCA and provides additional specific information. The accompanying Consolidated Financial Statements and Notes to the Consolidated Financial Statements also contain important information about our financial condition and results of operations.

The Farm Credit System (System) is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2022, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 65 borrower-owned cooperative lending institutions (associations). The System serves all 50 states, Washington D.C., and Puerto Rico. This network of financial cooperatives is owned and governed by the rural customers the System serves.

AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). We are an association in the District.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System. The Farm Credit System Insurance Corporation (FCSIC) administers the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

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

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

AgriBank, FCB
30 East 7th Street, Suite 1600
St. Paul, MN 55101
(651) 282-8800
www.AgriBank.com
FinancialReporting@AgriBank.com

Our Annual Report is available on our website no later than 75 days after the end of the calendar year and stockholders are provided a copy of such report no later than 90 days after the end of the calendar year. The Quarterly Reports are available on our website no later than 40 days after the end of each calendar quarter. To request free copies of our Annual or Quarterly Reports, contact us as stated above.

FORWARD-LOOKING INFORMATION

This Annual Report includes forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipate", "believe", "estimate", "may", "expect", "intend", "outlook", and similar expressions are used to identify such forward-looking statements. These statements reflect our current views with respect to future events. However, actual results may differ materially from our expectations due to a number of risks and uncertainties which may be beyond our control. The information in this report is based on current knowledge and is subject to many risks and uncertainties including, but not limited to:

- Political (including trade policies, environmental policies, and civil unrest), legal, regulatory, financial markets, and economic conditions, or other conditions and developments in the United States (U.S.) and abroad
- Length and severity of an epidemic or pandemic
- Economic fluctuations in the agricultural, international, rural, and farm-related business sectors
- Weather-related, disease, and other adverse climatic or biological conditions that periodically occur and can impact agricultural productivity and income
- Changes in U.S. government support of the agricultural industry (including government support payments) and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government, other government-sponsored enterprises, and other financial institutions
- Actions taken by the Federal Reserve System in implementing monetary policy
- Cybersecurity risks, including a failure or breach of our operational or security systems or infrastructure, or those of our third-party vendors or other service providers
- Credit, interest rate, and liquidity risks inherent in our lending activities
- Disruptive technologies impacting the banking and financial services industries or implemented by our competitors which negatively impact our ability to compete in the marketplace
- Changes in our assumptions for determining the allowance for loan losses, other-than-temporary impairment, and fair value measurements
- Industry outlooks for agricultural conditions
- Changes in interest rate indices utilized in our lending

COVID-19 PANDEMIC

As domestic public health measures have been implemented to limit the spread of COVID-19, including the availability of vaccines, many or all restrictions have been lifted across the U.S. Any lasting impact of the virus across all industries, including agriculture, is yet uncertain, and dependent, in part, on the emergence of COVID-19 variants. Throughout 2020 and 2021, Compeer's business continuity response allowed us to continue to serve our mission, and now all of our office buildings have re-opened and employees have returned to the office on a full-time or hybrid basis.

AGRICULTURAL AND ECONOMIC CONDITIONS

Throughout 2021, the COVID-19 pandemic's broad international scope continued to disrupt industries across nearly all economic sectors, and agriculture was not immune. While pandemic restrictions were largely loosened, supply chain issues persisted due to periodic disease-driven production slowdowns and shutdowns. Many of these supply chain bottlenecks are still being resolved. Labor shortages emerged across a host of industries, from packing to transportation and production. New infection spikes further led to intermittent labor shortages that caused additional issues within the supply chain.

Despite these issues, demand for food, goods, and services remained resilient. This strong demand - coupled with product scarcity, low interest rates, and wage growth - drove significant domestic inflation for the first time in a generation. The December 2021 Consumer Price Index release estimated year-over-year inflation at 7%. In its August 2021 Land Values 2021 Summary report, the United States Department of Agriculture (USDA) indicated that assets, such as farm real estate, increased roughly 10% (across Compeer's territory), and have continued to move upward since.

Even with all of these headwinds (labor shortages, supply chain issues, and inflation), 2021 finished as a favorable year for the agriculture sector and the American farmer. The economy and agricultural producers adapted and adjusted to meet strong demand. Key commodity prices remained favorable to maintain at least breakeven profitability levels. While costs to agricultural producers increased, margins generally remained favorable. Locally, the diverse Compeer credit portfolio, spanning production agriculture, processing, rural infrastructure, and related industries, exhibited strong credit quality performance. Further, looking out to 2022, commodity markets remain favorable for producers to generate profits, even with significant increases to breakeven costs.

Compeer generates a significant portion of its income from the grain, dairy, and swine sectors of production agriculture. Each of these industries is experiencing varied impact from disruptions and supply chain issues; however, all have generally adapted logistics and stabilized. Due to this stabilization, and combined with strong prices and forecasts, conditions remain favorable.

In its January 2022 World Agricultural Supply and Demand Estimate (WASDE), the USDA slightly raised the forecast for 2021 corn production. Tight supplies continue to lead grain market strength. Usage remained stable in the report, leading to a slight increase in carry-over inventory. Nevertheless, the USDA left the seasonal average price expectation for corn at \$5.45 per bushel. Similarly, the USDA slightly raised production of soybeans from its previous forecast. As with corn, soybean usage forecast remained largely unchanged. The report expects tight global supplies to result in strong price action. As such, the USDA raised the expected seasonal average price to \$12.60 per bushel, despite the slight increase in carry-over inventory. For both crops, exports are expected to remain strong, though global competition is likely to increase in 2022.

Tight margins were largely the story for dairy producers in 2021. Milk prices generally remained favorable throughout the year, though producers faced rising costs as grain prices remained elevated due to tight inventories. Strength in grain commodity prices drove dairy margins lower, as those higher costs offset favorable revenues. Despite margin compression, most producers remained at or slightly above breakeven levels for 2021. As the WASDE report points out, expenses are likely to remain elevated in 2022; however, the USDA estimates significant strengthening in dairy prices throughout the year. In its December 2021 Milk Production report, the USDA indicated decreases in number of cows and overall milk production from the same period in 2020 across the major dairy producing states, while production per cow increased. The USDA is projecting an annual average 2021 Class III Milk price of \$17.08 per hundredweight (cwt) produced. The WASDE report also estimates a 2021 all-milk price of \$18.65 per cwt, compared to \$18.24 per cwt in 2020. The spread between Class III & IV narrowed significantly in 2021, from roughly \$5 per cwt in 2020 to \$1 per cwt in 2021 as Class IV prices increased nearly \$2.50 per cwt. The USDA expects Class IV prices to overtake Class III in 2022 at \$20.90 per cwt versus Class III at \$19.65 per cwt on a strong domestic dairy product outlook compared to fluid demand. All-milk price forecast for 2022 is expected to increase significantly, to \$22.60 per cwt, suggesting profit potential for producers, despite higher costs. Strength in the price environment coupled with revenue and margin protection products continue to provide Compeer clients tools to mitigate volatility within the market.

The swine sector experienced significant cost increases as grain price strength adversely affected feed costs. Individual client profitability continues to largely be driven by the type of contract and integrator relationship. The industry is not immune to ongoing supply chain issues and demand fluctuations, but has largely adjusted to a more volatile operating environment. U.S. pork production, as of December 2021, consisted of 74.2 million head, a 4% decrease from the same period in 2020. The USDA's December 2021 Quarterly Hogs and Pigs report indicates that while breeding inventory rose slightly, market hogs drove the decrease in year-over-year numbers. In forecasting the December-to-February quarter, the USDA expects farrowing of 2.94 million sows, which is up slightly from year ago levels. African Swine Fever continued to cast a shadow on global supply and demand, hampering foreign pork producers, and driving demand for U.S. pork. Infected countries continue to grapple with the disease as new outbreaks hamper herd rebuilding efforts.

In December, the USDA updated its 2021 net farm income forecast to \$116.8 billion, a \$22.0 billion increase over 2020. The update also estimated net cash income for 2021 at \$133.0 billion, a \$17.0 billion year-over-year increase. The forecast assumes increases in grain and animal product receipts that offset lower estimated government payment revenue, which is projected to be \$27.2 billion, a decrease of \$18.5 billion largely due to additional 2020 ad hoc COVID-19 disaster relief support.

Along with our production agriculture portfolio, Compeer maintains a robust rural housing portfolio. This sector relies upon the health of the overall economy, interest rates, and general employment. The December 2021 U.S. Bureau of Labor Statistics unemployment rate of 3.9% continues the trend of improvement toward pre-pandemic unemployment levels, albeit some of the improvement is due to people leaving the labor force. Labor market tightness has been a contributing factor toward elevated inflation levels and wage growth in 2021. Inflationary pressure has yielded significant increases toward asset prices, including home prices. Home mortgage rates, near historic lows, continue to drive strength in new home purchases and refinance activity.

Favorable conditions across several core portfolio industries created significant market opportunities for producers during 2021, despite a rising expense environment. Even with tighter expected 2022 margins, most producers are able to lock in favorable returns for the coming year. Our core credit objectives of working with clients to promote risk management, ensuring high quality financial statements and production reports, encouraging disciplined marketing plans, and providing individualized servicing plans and strategies remain unchanged. Compeer also remains committed to being an advocate for positive legislative changes that improve prospects for agriculture and rural America.

LOANS HELD TO MATURITY

Loan Portfolio

Total loans were \$24.5 billion at December 31, 2021, an increase of \$1.9 billion from December 31, 2020. Total loans include loans held to maturity, finance leases, and conditional sales leases (hereinafter collectively referred to as loans).

Components of Loans

(in thousands)

As of December 31	2021	2020	2019
Accrual loans:			
Real estate mortgage	\$ 13,341,871	\$ 11,621,546	\$ 9,746,744
Production and intermediate-term	4,085,450	4,025,459	3,976,203
Agribusiness	4,591,757	4,630,569	3,959,718
Other	2,356,666	2,170,180	2,066,758
Nonaccrual loans	114,423	137,350	154,142
Total loans	\$ 24,490,167	\$ 22,585,104	\$ 19,903,565

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.

The increase in total loans from December 31, 2020, to December 31, 2021, was driven by wide-spread growth across many of our business sectors, led by core markets and Agri-Access®. Real estate mortgage loans, particularly in our core markets, Agri-Access, and Rural Living Solutions sectors, grew steadily throughout the year due to the low interest rate environment and high grain prices. That same profitable environment led to minimal or negative growth within our production and intermediate-term and agribusiness portfolios as operating lines were paid down throughout the year.

Compeer participates in pool programs to optimize capital levels and build relationships. On May 1, 2021, we sold a 20% participation interest in primarily real estate loans under the Agri-Access pool program, totaling \$140.3 million to AgriBank and other District associations. Additionally, in previous periods, we sold to AgriBank participation interests in primarily real estate loans as part of other pool programs. On July 1, 2021, we purchased the loans totaling \$1.1 billion from these prior pool programs back from AgriBank at fair value. Additionally, on the same day, we sold AgriBank participations of \$1.6 billion, representing a 10% participation across most of our loan portfolio. The total outstanding participation interests in these programs were \$2.2 billion, \$1.8 billion, and \$2.0 billion at December 31, 2021, 2020, and 2019, respectively.

The Paycheck Protection Program (PPP) is a guaranteed loan program administered by the U.S. Small Business Administration (SBA) created in response to the COVID-19 pandemic. We obtained approval from the SBA in 2020 to participate as a lender in the PPP. The PPP provides for payment deferral, and under certain circumstances, loan forgiveness. Since inception of the program in 2020, we have successfully processed about 10,250 loans, totaling \$328.1 million in PPP funds for customers with primarily production and intermediate-term type loans. As of December 31, 2021, \$16.0 million of loans under this program were outstanding. We do not expect to originate any additional loans under the PPP program.

Typically, our production and intermediate-term loan portfolio exhibits some seasonality relating to patterns of operating loans made to crop producers.

We offer variable, fixed, capped, indexed, and adjustable interest rate loan programs and variable and fixed interest rate lease programs to our clients. We determine interest margins charged on each lending program based on cost of funds, credit risk, market conditions, and the need to generate sufficient earnings.

Portfolio Distribution

We are chartered to serve certain counties in Illinois, Minnesota, and Wisconsin. At December 31, 2021, approximately 22.4% of our loan portfolio was within our territory in Illinois, 20.0% was within our territory in Minnesota, and 17.1% was within our territory in Wisconsin. The remainder of our portfolio is from outside of our territory to support rural America and to diversify our portfolio risk.

Agricultural Concentrations

As of December 31	2021	2020	2019
Cash grains	33.2%	31.8%	31.6%
Dairy	9.2%	9.7%	10.6%
Food products	8.4%	8.8%	7.6%
Agribusiness	7.1%	8.5%	8.3%
Swine	7.1%	7.4%	8.1%
Energy power and telecom	5.8%	6.5%	7.1%
Landlords	5.3%	5.1%	5.0%
Other crops	5.3%	4.7%	4.5%
Cattle	4.3%	4.0%	3.6%
Paper, packaging, and timber	3.9%	4.0%	4.0%
Rural home	3.7%	3.3%	2.8%
Poultry and other livestock	1.8%	1.9%	1.9%
Other	4.9%	4.3%	4.9%
Total	100.0%	100.0%	100.0%

Commodities are based on the borrower's primary intended commodity at the time of loan origination and may change due to borrower business decisions as a result of changes in weather, prices, input costs, and other circumstances.

The concentration of cash grains within our portfolio increased from 2020 to 2021 due to high grain prices and the low interest rate environment. In contrast, the concentration of agribusiness loans within our portfolio decreased from 2020 to 2021, due to the market volatility experienced throughout 2020 and early 2021, resulting in paydowns on operating lines later in 2021. While other industries noted above show a decrease in concentrations from 2020 to 2021 (including dairy, food products, and swine), the total loan volume within all of these industry portfolios increased. These volume increases were outpaced by the significant increases and growth in the cash grains industry during 2021.

Portfolio Credit Quality

The credit quality of our portfolio improved from December 31, 2020. Adversely classified loans decreased to 1.9% of the portfolio at December 31, 2021, from 2.8% of the portfolio at December 31, 2020. 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. Additional credit quality information is included in Note 3 to the accompanying Consolidated Financial Statements.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. Loans substantially guaranteed under these government programs totaled \$1.1 billion, \$1.1 billion, and \$886.5 million at December 31, 2021, 2020, and 2019, respectively. In addition, \$252.1 million, \$329.6 million, and \$420.9 million of our loans were substantially guaranteed through the Federal Mortgage Corporation (Farmer Mac), a System institution, Standby Commitment Program at December 31, 2021, 2020, and 2019, respectively.

Commodity market strength, which began in 2020, generally extended into 2021 for several core commodities. The environment, coupled with sound risk management practices, was beneficial for clients, as profitability and asset prices improved. As a result, Compeer's adversely classified loan levels significantly improved.

Grain production in 2021 was varied throughout the territory as growing conditions were influenced by weather, which resulted in drought conditions or excessive moisture. Overall, yields were near average levels, but largely did not approach recent near-record levels. Nationally, inventory volumes remained tight as demand for grain remains strong. These tight inventory levels benefitted producers in supporting favorable price levels throughout the year.

Farmland prices in Compeer's territory ended strong in the market, at levels that have not been observed since 2010 to 2013. While true that all areas and classes of farmland increased significantly, Compeer recognizes that variability exists. Specific parcel valuations have moved dependent of quality, availability and prior land values. Generally, these record farmland prices (fueled by strong commodity prices), favorable interest rates, and government stimulus payments were experienced by much of the Compeer territory.

Dairy prices remained at breakeven levels or better for much of 2021, despite some margin compression due to strong grain prices. The current price outlook suggests favorable 2022 margins for most producers, especially those utilizing tools such as Dairy Revenue Protection for risk management to protect profitability. Favorable 2021 market conditions and improved risk management practices allowed credit quality classification upgrades to widely outpace downgrades. Further expected market strength is anticipated to boost dairy sector credit quality throughout 2022.

The profitability of most swine producers is directly tied to the type of contract and pricing under which they operate. Producers tied to cutout values were more insulated from the negative effects of volatility than those that are tied to board prices. African Swine Fever continued to influence the market as infected production areas struggle with inventory rebuilding and reinfections. The struggles drove market action as importers adjusted purchases away from infected areas. These adjustments provided a solid overall export market for U.S. production. As such, most producers are expected to range around breakeven for 2021, while the increased cost environment seems likely to adversely affect the margin outlook for 2022.

Overall, the agribusiness portfolio continues to perform as expected. This portfolio includes a diverse range of clients and industries, unlike core agricultural product groupings. Though the sectors comprising the agribusiness portfolio largely remained profitable in 2021, the results varied based on the underlying business and its relationship with the supply chain.

Risk Assets

Components of Risk Assets

(dollars in thousands)

As of December 31	2021	2020	2019
Loans:			
Nonaccrual	\$ 114,423	\$ 137,350	\$ 154,142
Accruing restructured	6,931	9,071	7,067
Accruing loans 90 days or more past due	9,091	3,151	5,013
Total risk loans	130,445	149,572	166,222
Other property owned	10,342	3,040	147
Total risk assets	\$ 140,787	\$ 152,612	\$ 166,369
Total risk loans as a percentage of total loans	0.5%	0.7%	0.8%
Nonaccrual loans as a percentage of total loans	0.5%	0.6%	0.8%
Current nonaccrual loans as a percentage of total nonaccrual loans	70.9%	62.2%	41.4%
Total delinquencies as a percentage of total loans	0.4%	0.5%	0.8%

Note: Accruing loans include accrued interest receivable.

Our risk assets have decreased from December 31, 2020, and have remained at acceptable levels. Total risk loans as a percentage of total loans were well within our established risk management guidelines.

The overall decrease in nonaccrual loans was driven by activity on a significant number of loans within the real estate and production portfolios, but the largest individual decreases related to the payoff of one large swine customer's loans, the movement of one dairy customer's loans to accrual status, and payments on the loans of one core markets customer. Those decreases were offset by the movement of one large capital markets customer to nonaccrual status. Nonaccrual loans remained at an acceptable level at December 31, 2021, 2020, and 2019.

The increase in accruing loans 90 days or more past due occurred on loans within our mission financing portfolio. The entire balance of accruing loans 90 days or more past due as of December 31, 2021, was made up of mission financing loans that were guaranteed under government programs. Our accounting policy requires loans past due 90 days or more to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis, accruing loans 90 days or more past due as of December 31, 2021, 2020, and 2019, were adequately secured and in the process of collection, and as a result, were eligible to remain in accruing status.

The increase in other property owned was primarily due to the charge-off of a food and agribusiness customer's loans. The properties held as collateral for these loans were transferred into other property owned during 2021. This increase was offset slightly by the 2021 sale of the properties held as other property owned at December 31, 2020.

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. Significant downturns in circumstances relating 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.

We determine our 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 calculation date, as well as charge-offs and recoveries during the year. 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. Due to the subjectivity of these factors, management's assumptions are reviewed on an ongoing basis as part of the preparation of the quarterly calculation and updated as necessary. During 2021, assumptions were updated, including: estimated probability of default loss rates being updated based on the most current data released, and updating loss rates due to improved portfolio quality and economic conditions. These changes to our assumptions, along with improved credit quality throughout 2021, resulted in a reduction of the allowance for loan losses during the year.

In addition, our 2021 pool program activity has had an impact on our allowance for loan losses balance. See the Loan Portfolio sub-section for a discussion of that pool activity. For the loans Compeer purchased back from AgriBank on July 1, 2021, which had been sold previously in prior pool programs, an allowance for loan losses related to those loans needed to be added to our existing allowance. Additionally, for the participations Compeer sold to AgriBank on that same day, the portion of our allowance associated with those sold loans needed to be removed from our existing allowance. The net effect of these pool transactions was a net addition of assets to AgriBank, which resulted in a net reduction of Compeer's allowance for loan losses.

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. See the (Reversal of) Provision for Loan Losses sub-section (within the Results of Operations section) for a discussion on the impact that the calculated reduction of the allowance for loan losses had on the provision for loan losses expense during the year ended December 31, 2021.

The following ratios resulted from the reduction of the allowance for loan losses during 2021, as well as the activity within the allowance for loan losses during 2020 and 2019:

Allowance Coverage Ratios

As of December 31	2021	2020	2019
Allowance as a percentage of:			
Loans	0.3%	0.4%	0.4%
Nonaccrual loans	55.7%	64.9%	50.9%
Total risk loans	48.8%	59.6%	47.2%
Net charge-offs as a percentage of average loans	0.0%	0.1%	0.0%
Adverse assets to capital and allowance for loan losses	10.9%	15.9%	18.9%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at December 31, 2021. 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.

Additional loans held to maturity information is included in Notes 3, 12, 13, and 15 to the accompanying Consolidated Financial Statements.

LOANS HELD FOR SALE

We originate loans held for sale under our secondary market program, which is a rural residential mortgage program designed to provide qualified borrowers with options for competitive rate financing of rural homes in small towns or that are part of a hobby farm, pastureland, or tillable acreage. The volume in this program was \$24.9 million, \$51.5 million, and \$27.8 million at December 31, 2021, 2020, and 2019, respectively.

Loans closed under this program will be sold to and securitized by third party investors, Farmer Mac and Freddie Mac. See the Investment Securities section for further discussion on our subsequent purchase of these securities.

We sold rural home loans in the secondary market totaling \$110.5 million, \$197.8 million, and \$75.4 million in 2021, 2020, and 2019, respectively. In addition, we sold rural home loans in the secondary market through our RuraLiving® program totaling \$113.2 million, \$123.4 million, and \$61.9 million in 2021, 2020, and 2019, respectively. For additional information regarding these transactions and loans held for sale, refer to Notes 4 and 15 to the accompanying Consolidated Financial Statements.

INVESTMENT SECURITIES

In addition to loans and leases, we held investment securities. We had held-to-maturity investment securities of \$1.1 billion, \$1.1 billion, and \$1.2 billion at December 31, 2021, 2020, and 2019, respectively. Our investment securities primarily include mortgage-backed securities (MBS) issued by Farmer Mac or guaranteed by SBA or USDA, asset-backed securities issued and guaranteed by SBA or USDA, and bonds.

We purchased MBS investments that were classified as held-to-maturity during the years ended December 31, 2021, 2020, and 2019. In addition, we also purchased MBS investments that were classified as available-for-sale during the years ended December 31, 2020, and 2019. These securities are all included in "Investment securities" on the Consolidated Statements of Condition. Included within our held-to-maturity investment securities portfolio were Farmer Mac MBS of \$666.3 million, \$731.9 million, and \$884.7 million as of December 31, 2021, 2020, and 2019, respectively.

Loans closed under our RuraLiving program are sold to and securitized by Farmer Mac, and we typically purchase the resulting securities from Farmer Mac. Effective October 1, 2020, we now classify all of those purchased securities as held-to-maturity. Prior to that date, we would actively market and sell those resulting securities within 30 days of our purchasing them; hence, we classified them at that time as available-for-sale. We sold available-for-sale investment securities with total sales proceeds of \$37.0 million and \$60.5 million during 2020 and 2019, respectively. These sales resulted in a loss of \$181 thousand and \$635 thousand during 2020 and 2019, respectively, which were recognized in "Fee and other non-interest income" in the Consolidated Statements of Comprehensive Income. We had no outstanding available-for-sale investment securities at December 31, 2021, 2020, and 2019.

The investment portfolio is evaluated for other-than-temporary impairment. For the years ended December 31, 2021, 2020, and 2019, we have not recognized any impairment on our investment securities portfolio.

Additional investment securities information is included in Notes 5 and 15 to the accompanying Consolidated Financial Statements.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the year ended December 31	2021	2020	2019
Net income	\$ 498,350	\$ 439,892	\$ 396,621
Return on average assets	2.0%	1.9%	1.9%
Return on average equity	11.7%	11.1%	10.6%

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, Loans Held for Sale, and Investment Securities sections
- Changes in capital discussed in the Capital Adequacy section

Changes in Significant Components of Net Income

(in thousands)	For the year ended December 31			Increase (decrease) in net income	
	2021	2020	2019	2021 vs 2020	2020 vs 2019
Net interest income	\$ 549,849	\$ 524,053	\$ 481,789	\$ 25,796	\$ 42,264
(Reversal of) provision for loan losses	(15,000)	27,894	20,777	42,894	(7,117)
Non-interest income	311,294	272,662	235,679	38,632	36,983
Non-interest expense	354,606	311,069	282,762	(43,537)	(28,307)
Provision for income taxes	23,187	17,860	17,308	(5,327)	(552)
Net income	\$ 498,350	\$ 439,892	\$ 396,621	\$ 58,458	\$ 43,271

Net Interest Income

Changes in Net Interest Income

(in thousands)	For the year ended December 31	
	2021 vs 2020	2020 vs 2019
Changes in volume	\$ 49,070	\$ 43,126
Changes in interest rates	(16,410)	(6,719)
Changes in asset securitization	114	108
Changes in nonaccrual income and other	(6,978)	5,749
Net change	\$ 25,796	\$ 42,264

Net interest margin (net interest income as a percentage of average earning assets) was 2.3%, 2.4%, and 2.4% in 2021, 2020, and 2019, respectively. Our net interest margin is sensitive to interest rate changes and competition.

Net interest income included income on nonaccrual loans that totaled \$2.5 million, \$9.1 million, and \$3.5 million in 2021, 2020, and 2019, respectively. Nonaccrual income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered.

(Reversal of) Provision for Loan Losses

The change in the (reversal of) provision for loan losses is based upon the calculated change to our 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 during the year. It has become clear that the initially anticipated negative economic impact of the pandemic on Compeer's loan portfolio has not materialized to date. Overall credit quality has continued to improve, and net loan charge-offs remain at historically low levels. These positive factors also caused us to update qualitative assumptions utilized within the allowance model. In addition, as part of the asset pool loan program transactions on July 1, 2021, the allowance for loan losses held on the loans sold to AgriBank were removed. As a result of these factors, our December 31, 2021, allowance for loan losses calculation resulted in a decrease from the December 31, 2020, calculation. The necessary overall decrease to the allowance for loan losses is booked as a reversal of provision for loan losses expense. Additional information is included in Note 3 to the accompanying Consolidated Financial Statements.

Non-Interest Income

The change in non-interest income was primarily due to increases in fee and other non-interest income, patronage income, and financially related services income.

Fee and Other Non-interest Income: The increase in fee and other non-interest income was due to several factors, including increases in fee income related to the PPP loan originations completed in 2021. In addition, we and other Farm Credit institutions are among the limited partners for Rural Business Investment Companies (RBICs). Throughout 2021, the values of those RBICs increased, resulting in income for Compeer from the write-up of our portion of those investments. Lastly, origination fee income increased as numbers of loan originations grew, but particularly increased due to fees on transactions closed within our capital markets and food and agribusiness sectors. These increases in fee and other non-interest income were offset by a decrease in our conversion fee income for the year ended December 31, 2021, as the high amount of conversion activity experienced during 2020, due to the decreasing interest rate environment, slowed during 2021 as rates leveled off.

Patronage Income: We may receive patronage from AgriBank and other Farm Credit institutions. Patronage distributions from AgriBank and other Farm Credit institutions are declared solely at the discretion of each institution's Board of Directors. AgriBank may distribute patronage in the form of cash or stock. All other patronage from other Farm Credit institutions is typically distributed in cash.

Patronage Income				
(in thousands)				
For the year ended December 31	2021	2020	2019	
Patronage from AgriBank	\$ 168,724	\$ 154,090	\$ 141,574	
AgDirect partnership distribution	2,952	2,885	2,854	
Other patronage	936	1,171	71	
Total patronage income	<u>\$ 172,612</u>	<u>\$ 158,146</u>	<u>\$ 144,499</u>	
Form of patronage distributions:				
Cash	\$ 154,180	\$ 158,146	\$ 96,824	
Stock	18,432	--	47,675	
Total patronage income	<u>\$ 172,612</u>	<u>\$ 158,146</u>	<u>\$ 144,499</u>	

Patronage from AgriBank primarily includes wholesale patronage and pool program patronage. See the Relationship with AgriBank section for further discussion on patronage income.

Financially Related Services Income: The increase in financially related services income was primarily due to the increase in income from our multi-peril crop insurance services. Multi-peril crop insurance premiums increased as a result of the high grain prices and market volatility throughout 2021, as Compeer's experienced insurance team members had clients positioned to take advantage of these markets. This income growth was experienced specifically related to two newer insurance products offered.

Non-Interest Expense

The following presents a comparison of operating expenses by major category and the net pre-tax operating rate (total ongoing expenses less financially related services income and fees earned, divided by average earning assets).

Components of Non-interest Expense				
(dollars in thousands)				
For the year ended December 31	2021	2020	2019	
Salaries and employee benefits	\$ 208,912	\$ 208,883	\$ 180,404	
Other operating expense:				
Purchased and vendor services	22,443	18,099	15,562	
Communications	3,588	4,446	3,982	
Occupancy and equipment	40,123	30,107	29,582	
Advertising and promotion	13,228	11,782	13,783	
Examination	4,188	4,001	3,916	
Farm Credit System insurance	31,429	18,273	15,091	
Other	16,381	10,229	13,055	
Other non-interest expense	14,314	5,249	7,387	
Total non-interest expense	<u>\$ 354,606</u>	<u>\$ 311,069</u>	<u>\$ 282,762</u>	
Net pre-tax operating rate	0.8%	0.8%	0.9%	

The change in total non-interest expense was primarily due to an increase in Farm Credit System insurance, occupancy and equipment, other operating expense, other non-interest expense, and purchased and vendor services expense.

Farm Credit System Insurance: The Farm Credit System insurance expense increased in 2021 primarily due to a higher premium rate charged by FCSIC on accrual loans. The premium rate, which is primarily impacted by System growth, was 16 basis points for all of 2021, compared to a premium rate of 8 basis points for the first half of 2020 and 11 basis points for the second half of 2020. The FCSIC has announced premiums will be 16 basis points for 2022. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time.

Occupancy and Equipment: Occupancy and equipment expenses increased in 2021 due to strategic decisions to invest in technology and innovation, and enhancing the digital experience for our clients utilizing our online banking services and client portal. Our new Bloomington, Illinois building project, as well as opportunities to refresh other facilities, also contributed to higher occupancy and equipment costs. In addition, during 2021 we changed an internal accounting policy, specifically related to expensing prepaid assets, which resulted in a one-time increase in systems and equipment costs.

Other Operating Expense: Other operating expense increased primarily due to increases in our nonqualified pension restoration plan costs. Key components of these pension costs are recognized based on the average remaining service years of participants in the plan. These costs increased this year as a result of changes in assumptions related to the plan participants. Additional information on this nonqualified retirement plan is included in Notes 2 and 11 to the accompanying Consolidated Financial Statements.

Other Non-Interest Expense: The increase in other non-interest expense was due to fair value losses of \$5.1 million on loans sold to AgriBank as part of the asset pool loan program transactions on July 1, 2021. The fair value losses on these sold loans was offset by the reversal of provision for loan losses expense, which was recognized due to removing the allowance for loan losses associated with these sold loans. See the Allowance for Loan Losses subsection (within the Loans Held to Maturity section) for additional discussion on these pool program transactions. In addition, other non-interest expense increased due to issuance costs incurred as part of Compeer's subordinated debt offering in May 2021. See Note 8 to the accompanying Consolidated Financial Statements for further information on the subordinated debt offering.

Purchased and Vendor Services: Purchased and vendor services expenses increased in 2021 due to our working with vendors to implement technology and innovation strategies, including projects such as online banking services, new systems, and updating our client portal.

Provision for Income Taxes

The change in provision for income taxes was related to our estimate of taxes based on taxable income. Patronage distributions to stockholders reduced our tax liability in 2021, 2020, and 2019. Additional disclosure is included in Note 10 to the accompanying Consolidated Financial Statements.

FUNDING AND LIQUIDITY

We borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 7 to the accompanying Consolidated Financial Statements. This line of credit is our primary source of liquidity and is used to fund operations and meet current obligations. At December 31, 2021, we had \$5.1 billion available under our line of credit. We generally apply excess cash to this line of credit. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other sources of lendable funds are from equity and subordinated debt.

Note Payable Information

(dollars in thousands)

For the year ended December 31	2021	2020	2019
Average balance	\$ 20,590,907	\$ 18,927,828	\$ 17,129,929
Average interest rate	1.4%	1.8%	2.7%

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

In 2017, the United Kingdom's Financial Conduct Authority, which regulates the London Inter-bank Offer Rate (LIBOR), announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021. ICE Benchmark Administration (the entity responsible for calculating LIBOR) ceased the publication of the one-week and two-month USD LIBOR settings immediately following the LIBOR publication on December 31, 2021, and has announced it intends to cease publication of the remaining USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. It is widely anticipated that the Secured Overnight Financing Rate (SOFR) will become the benchmark to replace LIBOR.

The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. However, we maintain some exposure to interest rates, including LIBOR, primarily from loans to customers which may not have a component of our line of credit with an exact repricing attribute. Furthermore, as AgriBank has shifted their funding, with no remaining LIBOR-indexed bonds as of December 31, 2021, we may see an increase to our basis risk. With limited exceptions in accordance with FCA guidance, we have ceased issuing new loans indexed to LIBOR, somewhat mitigating this basis risk.

The Farm Credit System has established a LIBOR transition workgroup to provide leadership in addressing the LIBOR phase-out across System entities. In coordination with this group, we have developed a comprehensive project plan to address the issues surrounding a transition away from LIBOR. This plan is consistent with regulatory guidance from the FCA, and it incorporates actions to address risk identification and reporting, mitigation strategies, development or adoption of products utilizing alternative reference rates, operational and system impacts, a process for monitoring regulatory and industry developments, as well as communication to stakeholders. While many factors can impact our net interest income, we do not expect a significant impact due to the LIBOR transition at this time.

We have issued \$100.0 million of Series A-1 non-cumulative perpetual preferred stock and \$100.0 million of Series B-1 non-cumulative perpetual preferred stock. The impact of this stock on our regulatory capital is discussed in the Capital Adequacy section. Also, see Note 9 to the accompanying Consolidated Financial Statements for additional information related to preferred stock.

In addition, we issued \$200.0 million of aggregate principal amount of unsecured subordinated notes. See Note 8 to the accompanying Consolidated Financial Statements for additional information related to subordinated debt.

We have entered into a Standby Commitment to Purchase Agreement with Farmer Mac to help manage credit risk. If a loan covered by the agreement goes into default, subject to certain conditions, we have the right to sell the loan to Farmer Mac. This agreement remains in place until the loan is paid in full. We had \$252.1 million, \$329.6 million, and \$420.9 million of our loans in this program at December 31, 2021, 2020, and 2019, respectively. We had no sales of loans to Farmer Mac under this agreement in 2021 or 2020. Sales of loans to Farmer Mac under this agreement were \$469 thousand in 2019.

CAPITAL ADEQUACY

Total equity was \$4.4 billion, \$4.0 billion, and \$3.8 billion at December 31, 2021, 2020, and 2019, respectively. Total equity increased \$373.5 million from December 31, 2020, primarily due to net income for the year and the issuances of preferred stock, which was partially offset by patronage distribution accruals and redemption of allocated patronage.

The FCA Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage.

Regulatory Capital Requirements and Ratios

As of December 31	2021	2020	2019	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	13.9%	14.3%	15.0%	4.5%	2.5%	7.0%
Tier 1 capital ratio	14.6%	14.7%	15.5%	6.0%	2.5%	8.5%
Total capital ratio	15.8%	15.2%	15.9%	8.0%	2.5%	10.5%
Permanent capital ratio	15.7%	15.0%	15.9%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	14.9%	14.8%	15.4%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	14.7%	14.6%	14.8%	1.5%	N/A	1.5%

Our capital plan is designed to maintain an adequate amount of surplus and allowance for loan losses which represents our reserve for adversity prior to impairment of stock. We manage our capital to allow us to meet stockholder needs and protect stockholder interests, both now and in the future.

For regulatory capital purposes, our non-cumulative perpetual preferred stock is included in permanent capital, tier 1 capital, and total capital ratios, subject to certain limitations. In addition, our subordinated debt is included in permanent capital and total capital ratios, subject to certain limitations. Additional information is included in Notes 8 and 9 to the accompanying Consolidated Financial Statements.

Capital ratios are directly impacted by changes in capital, assets, and off-balance sheet commitments. Refer to the Loans Held to Maturity and the Investment Securities sections for further discussion of the changes in assets. Additional information on regulatory ratios and equity information is included in Note 9 to the accompanying Consolidated Financial Statements, and off-balance sheet commitments information is included in Note 13 to the accompanying Consolidated Financial Statements.

In addition to these regulatory requirements, we establish an optimum total capital target. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target is subject to revision as circumstances change. Our optimum total capital target is 14.0%, as defined in our 2022 capital plan.

As authorized by the Board of Directors, we accrued patronage distributions of \$150.0 million as of December 31, 2021, to be paid in cash during 2022. In addition, as of December 31, 2021, we accrued \$52.0 million for the redemption of our nonqualified patronage program, in addition to \$1.2 million of other retirements for the year, to be paid to former members of the merged associations in the first quarter of 2022. Also, the Board of Directors authorized the payment of \$7.3 million of other distributions on approved transactions for 2021. Further information regarding our patronage distributions is included in Note 9 to the accompanying Consolidated Financial Statements.

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (dividends, patronage, equity redemptions, and other distributions) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. We do not currently foresee any events that would result in this prohibition in 2022.

RELATIONSHIP WITH AGRIBANK

Borrowing

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A General Financing Agreement (GFA), as described in Note 7 to the accompanying Consolidated Financial Statements, governs this lending relationship.

The components of cost of funds under the GFA include:

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

In the periods presented, we were not subject to the risk premium component. Certain factors may impact our cost of funds, which primarily include market interest rate changes impacting marginal cost of debt as well as changes to pricing methodologies impacting the spread components described above.

The marginal cost of debt approach simulates matching the cost of underlying debt with similar terms as the anticipated terms of our loans to borrowers. This approach substantially protects us from market interest rate risk. We may occasionally engage in funding strategies that result in limited interest rate risk with approval by AgriBank's Asset/Liability Committee.

Investment

We are required to invest in AgriBank capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing distributed AgriBank surplus. As of December 31, 2021, we were required by AgriBank to maintain an investment equal to 2.5% of the average quarterly balance of our note payable, with an additional amount required on association growth in excess of a targeted growth rate, if the District is also growing above a targeted growth rate. As of March 31, 2022, the required investment is increasing to 2.55%.

We are also required to hold additional investment in AgriBank based on contractual agreements under pool programs.

As an AgDirect, LLP partnering association, we are required to purchase stock in AgDirect, which purchases an equivalent amount of stock in AgriBank.

Patronage

AgriBank's capital plan is intended to provide for adequate capital at AgriBank under capital regulations as well as to create a path to long-term capital optimization within the AgriBank District. The plan optimizes capital at AgriBank; distributing available AgriBank earnings in the form of patronage, either cash or AgriBank stock, which is at the sole discretion of the AgriBank Board of Directors. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of unallocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

Purchased Services

As of December 31, 2021, we purchased various business services from AgriBank, including financial reporting services. Until the formation of SunStream Business Services (SunStream) on April 1, 2020, we also purchased financial and retail information technology, collateral, tax reporting, and insurance services from AgriBank. These services are now purchased from SunStream. For further discussion on our relationship with SunStream see the Other Relationships and Programs section. Additional related party information is included in Note 12 to the accompanying Consolidated Financial Statements.

Impact on Stockholders' Investment

Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially impact our stockholders' investment.

OTHER RELATIONSHIPS AND PROGRAMS

Relationships with Other Farm Credit Institutions

Capital Markets Group: We participate in the Capital Markets Group (CMG) with two other AgriBank District associations. The CMG focuses on generating revenue and loan volume for the financial benefit of all three participating associations. Management for each association has direct decision-making authority over the loans purchased and serviced for their respective association. The business arrangement provides additional means for diversifying each participant's portfolio, helps reduce concentration risk, and positions the participants for continued growth. As the facilitating association for CMG, we are reimbursed by the other two participating associations for their portions of the various costs incurred for conducting CMG activities.

CoBank, ACB: We have a relationship with CoBank, ACB (CoBank), a System bank, which involves purchasing and selling participation interests in loans. CoBank provides direct loan funds to associations in its chartered territory and makes loans to cooperatives and other eligible borrowers. CoBank also provides certain cash management services to some of our clients. To support these cash management services, we have a cash management agreement with CoBank that includes a \$9.25 million back-up cash management settlement facility. As of December 31, 2021, 2020, and 2019, our equity investment in CoBank was \$1.2 million.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations), a System service corporation, which involves purchasing human resource, benefit, payroll, and workforce management services. As of December 31, 2021, 2020, and 2019, our investment in Foundations was \$154 thousand. Additional related party information is included in Note 12 to the accompanying Consolidated Financial Statements.

Farm Credit Leasing Services Corporation: We have an agreement with Farm Credit Leasing Services Corporation (FCL), a System service corporation, which specializes in leasing products and provides industry expertise. Leases are originated and serviced by FCL and we purchase a participation interest in the cash flows of the transaction. This arrangement provides our clients with a broad selection of product offerings and enhanced lease expertise.

Federal Agricultural Mortgage Corporation: We have entered into a Standby Commitment to Purchase Agreement with Farmer Mac. This agreement allows for the repayment of principal and interest on certain loans identified under the agreement to Farmer Mac. Refer to the Funding and Liquidity section for further discussion. We also purchase MBS investments from Farmer Mac. Refer to the Investment Securities section for further discussion. We paid Farmer Mac fees totaling \$2.9 million, \$2.6 million, and \$2.1 million in 2021, 2020, and 2019, respectively. These amounts are included in "Other non-interest expense" in the Consolidated Statements of Comprehensive Income.

ProPartners Financial: We participate in ProPartners Financial (ProPartners) with certain Farm Credit institutions to provide producer financing through agribusinesses that sell crop inputs. ProPartners is directed by representatives from participating associations. We sell to AgriBank our entire interest in the loans associated with ProPartners. As part of this program we receive patronage income at the sole discretion of the AgriBank Board of Directors.

As the facilitating association for ProPartners, we are compensated to provide various support functions. This includes human resources, accounting, payroll, reporting, and other finance functions. We also serve as the primary originating association for ProPartners participations and sales. The expenses incurred as the facilitating association are recovered from AgriBank as a servicing fee, which is included in the calculation of the net earnings of the ProPartners pool program.

Rural Business Investment Company: We and other Farm Credit institutions are among the limited partners for RBICs. Refer to Note 13 to the accompanying Consolidated Financial Statements for further disclosure.

SunStream Business Services: We have a relationship with SunStream, which involves purchasing financial and retail information technology, collateral, tax reporting, and insurance services. SunStream was a division of AgriBank prior to April 1, 2020, when SunStream formed a separate System service corporation of which we are a partial owner. As of December 31, 2021, and 2020, our investment in SunStream was \$5.6 million. Additional related party information is included in Note 12 to the accompanying Consolidated Financial Statements. As of December 31, 2021, we also guaranteed the amounts borrowed by SunStream on their line of credit with AgriBank, up to \$40.0 million. This amount may be amended at any time by SunStream's owners and AgriBank. Refer to Note 13 to the accompanying Consolidated Financial Statements for further disclosure.

Unincorporated Business Entities (UBEs)

Rural Funding, LLC: We have a limited liability company established for the purpose of facilitating bond transactions with other financial institutions called Rural Funding, LLC. We do not receive any management fees from the limited liability company. We are currently not originating any new transactions using this LLC.

Other LLCs: We have five limited liability companies established for the purpose of acquiring and selling collateral acquired through the loan collection process, primarily for legal liability purposes. The names of these LLCs are as follows: PF Hope MN, LLC; PF Moorhead MN, LLC; PF Cresco IA, LLC; PF Bowbells ND, LLC; and PF Ellendale MN, LLC.

AgDirect, LLP: We participate in the AgDirect trade credit financing program, which includes origination and refinancing of agriculture equipment loans through independent equipment dealers. The program is facilitated by another AgriBank District association through a limited liability partnership in which we are a partial owner. Our investment in AgDirect, LLP, was \$31.3 million, \$24.2 million, and \$18.4 million at December 31, 2021, 2020, and 2019, respectively.

Programs

We are involved in a number of programs designed to improve our credit delivery, related services, and marketplace presence.

RuraLiving®: RuraLiving is a rural residential mortgage program designed to provide qualified borrowers with additional options for competitive rate financing of rural homes in small towns or that are part of a hobby farm, pastureland, or tillable acreage. Loans closed under this program will be sold to and securitized by a third party investor, and may be purchased by Compeer.

Farm Cash Management: We offer Farm Cash Management to our clients. Farm Cash Management links clients' revolving lines of credit with an AgriBank investment bond to optimize clients' use of funds.

Mission Related Investments: The public mission of the System has always been to provide financing to agriculture and rural areas. Our primary focus has always been and will remain financing production agriculture. Because of the changing needs of rural America, we have placed additional emphasis on investing in rural communities and businesses by creating our Mission Financing program. This program makes investments in rural America through the purchase of bonds, focusing on rural businesses, health care, and housing facilities. We had outstanding bonds of \$92.4 million, \$104.8 million, and \$112.0 million at December 31, 2021, 2020, and 2019, respectively. We continue to have minority investments of \$5 thousand in a few small-scale local economic development corporations at December 31, 2021, 2020, and 2019.

Fleet Management: We offer fleet management services to small and mid-sized agribusinesses. Depending on the program selected, services range from customized vehicle ordering, combined with lease financing, to full service program options of providing fuel cards, maintenance management, 24/7 emergency roadside assistance, license renewal services, fleet reporting, and vehicle disposal service. Additionally, we make available customized vehicle ordering and leasing options to Farm Credit institutions. At the end of 2021, we have ordered vehicles for 17 System entities. We have manufacturer's fleet codes for the following brands: Ford, General Motors, Chrysler, Toyota, Nissan, Mazda, and Subaru.

Business Units

Core Markets: We provide operating, term, and real estate loans, leases, crop insurance, life insurance, accounting, and tax services to core market clients and producers who are typically in the grain, dairy, swine, and cattle industries. This structure enables our team to collaborate with other professionals with specialized knowledge, depending on the client's specific goals and unique needs.

Rural Living Solutions: Our home mortgage services team provides home financing options for rural residents living in the country or in communities with populations of 2,500 or less. The focal points of this segment are mortgages to buy, build, or refinance residences or acreages. Title insurance, appraisal services, and home equity loans are also offered.

Diversified Markets: Our Diversified Markets business unit includes the following sectors: Agri-Access, Capital Markets, and Industry Specialists.

Agri-Access®: We have entered into agreements with certain financial institutions to provide correspondent lending programs under the trade name Agri-Access, which operates as a unit of Compeer. Agri-Access focuses primarily on purchasing participations in agricultural real estate loans and leases. Agri-Access also services loan portfolios for other institutional investors. These financial services firms are dispersed throughout the United States. The main Agri-

Access contact office is located in Des Moines, Iowa. We also have a contact office in Boise, Idaho. Further information can be obtained at www.agri-access.com.

Capital Markets: The Capital Markets team focuses on relationships with commercial banks, Farm Credit institutions, and other lending partners to buy loan participations and partner in primarily syndicated loan transactions. This specialized team provides a national marketing vehicle to gain improved access to the agribusiness and commercial producer loan market, and provides portfolio diversity, earnings, and market intelligence to the organization. This team partners with two other AgriBank District associations to form the Capital Markets Group.

Industry Specialists: Our industry specialists possess broad, extensive knowledge and experience in their areas of expertise, providing financing to commercial producers, agribusinesses, and processors, primarily focused in swine, dairy, and bio-energy.

Mission Financing: The Mission Financing team is devoted to supporting community and economic development, infrastructure needs, revitalization projects, and emerging agribusinesses in rural America. Mission Financing invests in projects through the purchase of bonds issued by local communities, organizations, or businesses, focusing on investing in critical access hospitals, assisted-living facilities, rural rental multi-family housing, business expansions, and other similar enterprises. In December 2014, an alliance was formed with CoBank to fund rural facilities across the U.S. This alliance has and will continue to help promote jobs, economic benefits and enhance the quality of life in rural communities. This alliance will continue to partner with other Farm Credit institutions and local community banks to provide attractive and reliable short and long term financing options to fully fund projects of significant size.



REPORT OF MANAGEMENT

We prepare the Consolidated Financial Statements of Compeer Financial, ACA (the Association) and are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Consolidated Financial Statements, in our opinion, fairly present the financial condition of the Association. Other financial information included in the Annual Report is consistent with that in the Consolidated Financial Statements.

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable, but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the Consolidated Financial Statements. In addition, our independent auditors have audited our internal control over financial reporting as of December 31, 2021. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consults regularly with us and meets periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is composed solely of directors who are not officers or employees of the Association.

The undersigned certify we have reviewed the Association's Annual Report, which has been prepared in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

A handwritten signature in black ink, appearing to read "David Peters".

David Peters
Chairperson of the Board
Compeer Financial, ACA

A handwritten signature in black ink, appearing to read "Rodney W. Hebrink".

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

A handwritten signature in black ink, appearing to read "Jase L. Wagner".

Jase L. Wagner
Chief Financial Officer
Compeer Financial, ACA

March 1, 2022



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Compeer Financial, ACA (the Association) principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining effective internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2021. In making the assessment, management used the 2013 framework in *Internal Control — Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of December 31, 2021, the internal control over financial reporting was effective based upon the COSO criteria.

The Association's internal control over financial reporting as of December 31, 2021, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their accompanying report, which expresses an unqualified opinion on the effectiveness of the Association's internal control over financial reporting as of December 31, 2021.

A handwritten signature in black ink, appearing to read "Rodney W. Hebrink".

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

A handwritten signature in black ink, appearing to read "Jase L. Wagner".

Jase L. Wagner
Chief Financial Officer
Compeer Financial, ACA

March 1, 2022



REPORT OF AUDIT COMMITTEE

The Consolidated Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of a subset of the Board of Directors of Compeer Financial, ACA (the Association). The Audit Committee oversees the scope of the Association's internal audit program, the approval, and independence of PricewaterhouseCoopers LLP (PwC) as independent auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's actions with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for the preparation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America. Additionally, management is responsible for the design and operating effectiveness of internal control over financial reporting for the Consolidated Financial Statements. PwC is responsible for expressing opinions on the Consolidated Financial Statements and internal control over financial reporting based on their integrated audits which are performed in accordance with generally accepted auditing standards in the United States of America. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited Consolidated Financial Statements for the year ended December 31, 2021, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards AU-C 260, *The Auditor's Communication with Those Charged with Governance*, and both PwC and the internal auditor directly provided reports on any significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC any other matters and received any assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors include the audited Consolidated Financial Statements in the Annual Report for the year ended December 31, 2021.

A handwritten signature in black ink, appearing to read "Gregory Pollesch".

Gregory Pollesch
Chairperson of the Audit Committee
Compeer Financial, ACA

Audit Committee Members:
Ashley Ahl
Rodney Bosma
Roger Newell
David Peters

March 1, 2022



Report of Independent Auditors

To the Board of Directors of Compeer Financial, ACA,

Opinions on the Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated financial statements of Compeer Financial, ACA and its subsidiaries (the "Company"), which comprise the consolidated statements of condition as of December 31, 2021, 2020, and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, 2020, and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements and Internal Control Over Financial Reporting section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements and Internal Control over Financial Reporting

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Report on Internal Control over Financial Reporting.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements and Internal Control over Financial Reporting

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditors' report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements or an audit of internal control over financial reporting conducted in accordance with US GAAS will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit of consolidated financial statements and an audit of internal control over financial reporting in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances.



- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the financial statement audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the 2021 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and those charged with governance; and (iii) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

Minneapolis, Minnesota
March 1, 2022

CONSOLIDATED STATEMENTS OF CONDITION

Compeer Financial, ACA

(in thousands)

As of December 31	2021	2020	2019
ASSETS			
Loans held to maturity	\$ 24,490,167	\$ 22,585,104	\$ 19,903,565
Allowance for loan losses	63,700	89,157	78,504
Net loans held to maturity	24,426,467	22,495,947	19,825,061
Loans held for sale	24,896	51,541	27,807
Net loans	24,451,363	22,547,488	19,852,868
Unrestricted cash	2,400	2,300	2,300
Investment securities	1,125,961	1,149,438	1,172,537
Assets held for lease, net	119,515	93,015	65,169
Accrued interest receivable	170,502	171,798	190,601
Investment in AgriBank, FCB	751,956	662,203	623,330
Premises and equipment, net	84,411	76,711	75,320
Other assets	302,390	239,318	201,808
Total assets	\$ 27,008,498	\$ 24,942,271	\$ 22,183,933
LIABILITIES			
Note payable to AgriBank, FCB	\$ 21,900,691	\$ 20,458,004	\$ 17,927,105
Subordinated debt	200,000	--	--
Accrued interest payable	69,847	66,806	113,267
Deferred tax liabilities, net	47,261	26,720	16,137
Patronage distribution payable	209,319	203,758	177,000
Other liabilities	181,590	160,735	143,014
Total liabilities	22,608,708	20,916,023	18,376,523
Contingencies and commitments (Note 13)			
EQUITY			
Preferred stock	200,000	100,000	100,000
Capital stock and participation certificates	34,630	33,842	32,737
Capital stock and participation certificates receivable	(6,589)	(5,576)	--
Additional paid-in capital	1,780,603	1,780,603	1,780,603
Allocated surplus	267,939	321,115	373,898
Unallocated surplus	2,142,989	1,813,294	1,531,824
Accumulated other comprehensive loss	(19,782)	(17,030)	(11,652)
Total equity	4,399,790	4,026,248	3,807,410
Total liabilities and equity	\$ 27,008,498	\$ 24,942,271	\$ 22,183,933

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Compeer Financial, ACA

(in thousands)

For the year ended December 31	2021	2020	2019
Interest income	\$ 838,309	\$ 862,743	\$ 950,873
Interest expense	288,460	338,690	469,084
Net interest income	549,849	524,053	481,789
(Reversal of) provision for loan losses	(15,000)	27,894	20,777
Net interest income after (reversal of) provision for loan losses	564,849	496,159	461,012
Non-interest income			
Patronage income	172,612	158,146	144,499
Net operating lease income	4,843	3,763	2,989
Financially related services income	50,017	43,025	42,548
Fee and other non-interest income	83,822	67,728	45,643
Total non-interest income	311,294	272,662	235,679
Non-interest expense			
Salaries and employee benefits	208,912	208,883	180,404
Farm Credit System insurance	31,429	18,273	15,091
Other operating expense	99,951	78,664	79,880
Other non-interest expense	14,314	5,249	7,387
Total non-interest expense	354,606	311,069	282,762
Income before income taxes	521,537	457,752	413,929
Provision for income taxes	23,187	17,860	17,308
Net income	\$ 498,350	\$ 439,892	\$ 396,621
Other comprehensive loss			
Employee benefit plans activity	\$ (2,752)	\$ (5,378)	\$ (634)
Total other comprehensive loss	(2,752)	(5,378)	(634)
Comprehensive income	\$ 495,598	\$ 434,514	\$ 395,987

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Compeer Financial, ACA

(in thousands)

	Preferred Stock	Capital Stock and Participation Certificates and Receivable, Net	Additional Paid-in Capital	Allocated Surplus	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Equity
Balance as of December 31, 2018	\$ 100,000	\$ 33,062	\$ 1,780,603	\$ 426,776	\$ 1,272,556	\$ (11,018)	\$ 3,601,979
Net income	--	--	--	--	396,621	--	396,621
Other comprehensive loss	--	--	--	--	--	(634)	(634)
Redemption of prior year allocated patronage	--	--	--	(52,878)	145	--	(52,733)
Preferred stock issued	--	--	--	--	--	--	--
Preferred stock dividend	--	--	--	--	(6,750)	--	(6,750)
Other distribution	--	--	--	--	(5,758)	--	(5,758)
Unallocated surplus designated for patronage distributions	--	--	--	--	(124,868)	--	(124,868)
Cumulative effect of change in accounting principle	--	--	--	--	(122)	--	(122)
Capital stock and participation certificates issued	--	2,802	--	--	--	--	2,802
Capital stock and participation certificates retired	--	(3,127)	--	--	--	--	(3,127)
Capital stock and participation certificates receivable, net	--	--	--	--	--	--	--
Balance as of December 31, 2019	100,000	32,737	1,780,603	373,898	1,531,824	(11,652)	3,807,410
Net income	--	--	--	--	439,892	--	439,892
Other comprehensive loss	--	--	--	--	--	(5,378)	(5,378)
Redemption of prior year allocated patronage	--	--	--	(52,783)	86	--	(52,697)
Preferred stock issued	--	--	--	--	--	--	--
Preferred stock dividend	--	--	--	--	(6,750)	--	(6,750)
Other distribution	--	--	--	--	(6,758)	--	(6,758)
Unallocated surplus designated for patronage distributions	--	--	--	--	(145,000)	--	(145,000)
Cumulative effect of change in accounting principle	--	--	--	--	--	--	--
Capital stock and participation certificates issued	--	4,353	--	--	--	--	4,353
Capital stock and participation certificates retired	--	(3,248)	--	--	--	--	(3,248)
Capital stock and participation certificates receivable, net	--	(5,576)	--	--	--	--	(5,576)
Balance as of December 31, 2020	100,000	28,266	1,780,603	321,115	1,813,294	(17,030)	4,026,248
Net income	--	--	--	--	498,350	--	498,350
Other comprehensive loss	--	--	--	--	--	(2,752)	(2,752)
Redemption of prior year allocated patronage	--	--	--	(53,176)	109	--	(53,067)
Preferred stock issued	100,000	--	--	--	(2,420)	--	97,580
Preferred stock dividend	--	--	--	--	(9,025)	--	(9,025)
Other distribution	--	--	--	--	(7,319)	--	(7,319)
Unallocated surplus designated for patronage distributions	--	--	--	--	(150,000)	--	(150,000)
Cumulative effect of change in accounting principle	--	--	--	--	--	--	--
Capital stock and participation certificates issued	--	4,310	--	--	--	--	4,310
Capital stock and participation certificates retired	--	(3,522)	--	--	--	--	(3,522)
Additions to capital stock and participation certificates receivable, net	--	(1,013)	--	--	--	--	(1,013)
Balance as of December 31, 2021	\$ 200,000	\$ 28,041	\$ 1,780,603	\$ 267,939	\$ 2,142,989	\$ (19,782)	\$ 4,399,790

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Compeer Financial, ACA

(in thousands)

For the year ended December 31	2021	2020	2019
Cash flows from operating activities			
Net income	\$ 498,350	\$ 439,892	\$ 396,621
Depreciation on premises and equipment	9,839	9,543	9,415
Gain on sale of premises and equipment, net	(739)	(812)	(187)
Depreciation on assets held for lease	16,157	12,548	9,993
(Gain) loss on disposal of assets held for lease, net	(123)	75	(85)
Decrease (increase) in loans held for sale	26,645	(23,734)	(9,311)
Net amortization of premiums on loans and investment securities	7,318	10,061	3,297
Net amortization of yield related to loans and notes payable acquired in merger	212	(8,138)	(2,650)
Net amortization of yield related to investments acquired in merger	(2,716)	809	85
(Reversal of) provision for loan losses	(15,000)	27,894	20,777
Stock patronage received from Farm Credit Institutions	(18,453)	(20)	(47,685)
(Gain) loss on other property owned, net	(236)	730	(7)
(Gain) loss on derivative activities	(220)	4,256	804
Loss on sale of available for sale investment securities	--	181	635
Changes in operating assets and liabilities:			
(Increase) decrease in accrued interest receivable	(9,900)	13,668	(20,168)
Increase in other assets	(49,631)	(28,745)	(13,074)
Increase (decrease) in accrued interest payable	3,041	(46,461)	2,965
Increase in other liabilities	19,580	17,635	11,739
Net cash provided by operating activities	484,124	429,382	363,164
Cash flows from investing activities			
Increase in loans, net	(1,890,262)	(2,673,065)	(1,151,125)
Purchases of investment in AgriBank, FCB, net	(71,321)	(39,682)	(8,059)
Purchases of investment in other Farm Credit Institutions, net	(7,131)	(8,928)	(782)
Purchases of investment securities	(236,029)	(334,196)	(386,148)
Proceeds from maturing investment securities	254,819	309,988	144,401
Proceeds from the sale of available for sale investment securities	--	37,020	60,481
Sales (purchases) of derivatives, net	78	(4,102)	(780)
Purchases of assets held for lease, net	(42,534)	(40,469)	(28,103)
Proceeds from sales of other property owned	3,410	2,697	76
Purchases of premises and equipment, net	(16,800)	(10,122)	(13,851)
Net cash used in investing activities	(2,005,770)	(2,760,859)	(1,383,890)
Cash flows from financing activities			
Increase in note payable to AgriBank, FCB, net	1,432,830	2,527,837	1,188,540
Proceeds from subordinated debt issuance	200,000	--	--
Patronage and other distributions paid	(204,825)	(183,895)	(157,318)
Proceeds from preferred stock issuance	97,580	--	--
Preferred stock dividend paid	(9,025)	(6,750)	(6,750)
Capital stock and participation certificates (retired) issued, net	(255)	142	(793)
Net cash provided by financing activities	1,516,305	2,337,334	1,023,679
Net change in cash and restricted cash	(5,341)	5,857	2,953
Cash and restricted cash at beginning of year	14,187	8,330	5,377
Cash and restricted cash at end of year	\$ 8,846	\$ 14,187	\$ 8,330
Supplemental information			
Interest paid	\$ 275,562	\$ 382,089	\$ 466,680
Taxes (refunded) paid, net	(537)	18,330	5,851

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Compeer Financial, ACA

NOTE 1: ORGANIZATION AND OPERATIONS

Association

Compeer Financial, ACA (the Association) and its subsidiaries, Compeer Financial, FLCA and Compeer Financial, PCA (subsidiaries) are lending institutions of the Farm Credit System (System). We are a borrower-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible member stockholders for qualified agricultural purposes in the counties of Aitkin, Anoka, Benton, Blue Earth, Brown, Carlton, Carver, Cass, Chisago, Cook, Cottonwood, Crow Wing, Dakota, Dodge, Faribault, Fillmore, Freeborn, Goodhue, Hennepin, Houston, Isanti, Itasca, Jackson, Kanabec, Lake, LeSueur, McLeod, Martin, Mille Lacs, Morrison, Mower, Murray, Nicollet, Nobles, Olmsted, Pine, Pipestone, Ramsey, Rice, Rock, St. Louis, Scott, Sherburne, Sibley, Stearns, Steele, southern Todd, Wabasha, Waseca, Washington, Watonwan, Winona, and Wright counties in the state of Minnesota; Adams, Boone, Brown, Bureau, Carroll, Cook, DeKalb, DuPage, Fulton, Grundy, Hancock, Henderson, Henry, Jo Daviess, Kane, Kankakee, Kendall, Knox, Lake, LaSalle, Lee, Livingston, Marshall, Mason, McDonough, McHenry, McLean, Mercer, Ogle, Peoria, Pike, Putnam, Rock Island, Schuyler, Stark, Stephenson, Tazewell, Warren, Whiteside, Will, Winnebago, and Woodford in the state of Illinois; and Adams, Ashland, Barron, Bayfield, Buffalo, Burnett, Calumet, Chippewa, Columbia, Crawford, Dane, Dodge, Douglas, Dunn, Eau Claire, Fond du Lac, Grant, Green, Green Lake, Iowa, Iron, Jackson, Jefferson, Juneau, Kenosha, La Crosse, Lafayette, Marquette, Milwaukee, Monroe, Ozaukee, Pepin, Pierce, Polk, Racine, Richland, Rock, Rusk, St. Croix, Sauk, Sawyer, Sheboygan, Trempealeau, Vernon, Walworth, Washburn, Washington, Waukesha, and Winnebago counties in the state of Wisconsin.

We borrow from AgriBank, FCB (AgriBank) and provide financing and related services to our clients. Our Agricultural Credit Association (ACA) holds all the stock of the Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries and provides lease financing options for agricultural production or operating purposes. The FLCA makes secured long-term agricultural real estate, rural home, and part-time farmer mortgage loans and holds certain types of investments. The PCA makes short-term and intermediate-term loans and holds certain types of investments.

We offer various risk management services, including credit life, term life, credit disability, title, crop hail, and multi-peril crop insurance for clients and those eligible to borrow. We also offer services, such as farm records services, fee appraisals, cash management, farm business consulting, producer education, auction clerking, title search, fleet management services, income tax planning and preparation services, and retirement and succession planning to our clients.

Farm Credit System and District

The System is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2022, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 65 borrower-owned cooperative lending institutions (associations). AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). At January 1, 2022, the District consisted of 13 Agricultural Credit Associations (ACA) that each have wholly-owned Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries.

FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate-term loans. ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their subsidiaries. Associations are authorized to provide lease financing options for agricultural purposes and are also authorized to purchase and hold certain types of investments. AgriBank provides funding to all associations chartered within the District.

Associations are authorized to provide, either directly or in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers may include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related service businesses. In addition, associations can participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a System lending institution, but have operations that are functionally similar to the activities of eligible borrowers.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System banks and associations. We are examined by the FCA and certain association actions are subject to the prior approval of the FCA and/or AgriBank.

The Farm Credit System Insurance Corporation (FCSIC) administers the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Farm Credit Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

At the discretion of the FCSIC, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the FCSIC. Each System bank is required to pay premiums into the Insurance Fund until the assets in the Insurance Fund equal 2.0% of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. This percentage of aggregate obligations can be changed by the FCSIC, at its sole discretion, to a percentage it determines to be actuarially sound. The basis for assessing premiums is debt outstanding with adjustments made for nonaccrual loans and impaired investment securities which are assessed a surcharge while guaranteed loans and investment securities are deductions from the premium base. AgriBank, in turn, assesses premiums to District associations each year based on similar factors.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles and Reporting Policies

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Principles of Consolidation

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

Significant Accounting Policies

Loans Held to Maturity: Loans are carried at their principal amount outstanding net of any unearned income, cumulative charge-offs, unamortized deferred fees and costs on originated loans, and unamortized premiums or discounts on purchased loans. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Origination fees, net of related costs, are deferred and recognized over the life of the loan as an adjustment to net interest income. The net amount of loan fees and related origination costs are not material to the Consolidated Financial Statements taken as a whole.

Generally we place loans in nonaccrual status when principal or interest is delinquent for 90 days or more (unless the loan is 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 before the transfer exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year should be charged-off against the allowance for loan losses. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and certain other criteria are met. In these circumstances interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Nonaccrual loans may be returned to accrual status when principal and interest are current, the customer's ability to fulfill the contractual payment terms is fully expected, and, if the loan was past due when placed in nonaccrual status, the loan has evidence of sustained performance in making on-time contractual payments.

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 troubled debt restructuring, 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 troubled debt restructurings are considered risk loans (as defined below). There may be modifications made in the normal course of business that would not be considered troubled debt restructurings (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.

Loans Held for Sale: Loans held for sale include rural residential mortgages originated for sale. We elected the fair value option for all loans held for sale. Loans are valued on an individual basis and gains or losses are recorded in "Fee and other non-interest income" in the Consolidated Statements of Comprehensive Income. Direct loan origination costs and fees for loans held for sale are recognized in income at origination. Interest income on loans held for sale is calculated based upon the note rate of the loan and is recorded in "Interest income" in the Consolidated Statements of Comprehensive Income.

Allowance for Loan Losses: The allowance for loan losses is our best estimate of the amount of losses on loans inherent in our portfolio as of the date of the financial statements. We determine 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.

Loans in our portfolio that are considered impaired are assessed individually to establish a specific allowance. A loan is impaired when it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. We generally measure impairment based on the net realizable value of the collateral. Risk loans include nonaccrual loans, accruing restructured loans, and accruing loans 90 days or more past due. All risk loans are considered to be impaired loans.

We record a specific allowance to reduce the carrying amount of the risk loan by the amount the recorded investment exceeds the net realizable value of collateral. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

We determine the amount of allowance that is required by assessing risk loans individually and all other loans by combining them into groups of loans sharing similar risk characteristics. For loans that are not individually assessed for impairment, an allowance is recorded for probable and estimable credit losses as of the financial statement date, using a two-dimensional loan risk rating model that incorporates a 14-point rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing the loss severity. The combination of estimated default probability and loss severity is the primary basis for recognition and measurement of loan collectability of these pools of loans. These estimated losses may be adjusted for relevant current environmental factors.

Changes in the allowance for loan losses consist of provision activity, recorded in "(Reversal of) provision for loan losses" in the Consolidated Statements of Comprehensive Income, recoveries, and charge-offs.

Investment Securities: We are authorized to purchase and hold certain types of investments. Those investments for which we have the positive intent and ability to hold to maturity have been classified as held-to-maturity and are carried at cost adjusted for the amortization of premiums and accretion of discounts. If an investment is determined to be other-than-temporarily impaired, the carrying value of the security is written down to fair value. The impairment loss is separated into credit related and non-credit related components. The credit related component is expensed through Net income in the Consolidated Statements of Comprehensive Income in the period of impairment. The non-credit related component is recognized in other comprehensive income and amortized over the remaining life of the security as an increase in the security's carrying amount.

Other investment securities that we do not have the positive intent and ability to hold to maturity have been classified as available-for-sale. These investments are reported at fair value, and unrealized holding gains and losses on investments that are not other-than-temporarily impaired are netted and reported as a separate component of equity in "Accumulated other comprehensive loss" in the Consolidated Statements of Condition. Changes in the fair value of investment securities are reflected as direct charges or credits to other comprehensive income, unless the security is deemed to be other-than-temporarily impaired. When other-than-temporary impairment exists and we do not intend to sell the impaired debt security, nor are we more likely than not to be required to sell the security before recovery, we separate the loss into credit-related and non-credit-related components. If a security is deemed to be other-than-temporarily impaired, the security is written down to fair value, the credit-related component is recognized through earnings and the non-credit-related component is recognized in other comprehensive income.

Purchased premiums and discounts are amortized over the terms of the respective securities. Realized gains and losses are determined using the specific identification method and are recognized in current earnings.

Other Investments: The carrying amount of the investments in the Rural Business Investment Companies, in which we are a limited partner and hold non-controlling interests, are accounted for under the equity method. The investments are included in "Other assets" in the Consolidated Statements of Condition. The investments are assessed for impairment. If impairment exists, losses are included in Net income in the Consolidated Statements of Comprehensive Income in the year of impairment.

Leases: We are the lessee in operating leases. We evaluate arrangements at inception to determine if it is a lease. Leases with an initial term of 12 months or less are not recorded on the Consolidated Statements of Condition with lease expense recognized on a straight-line basis over the lease term. For operating leases with terms greater than 12 months the right-of-use (ROU) assets are included in "Other assets" in the Consolidated Statements of Condition and the lease liabilities are included in "Other liabilities" in the Consolidated Statements of Condition.

The ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. Our lease terms may include options to extend or terminate the lease. The length of the lease term is modified to include the option when it is reasonably certain that we will exercise that option. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

We are the lessor in finance, conditional sales, and operating leases. Under finance and conditional sales leases, unearned income from lease contracts represents the excess of gross lease receivables plus residual receivables over the cost of leased equipment. We amortize net unearned finance lease income to earnings using the interest method. The carrying amount of finance and conditional sales leases is included in "Loans held to maturity" in the Consolidated Statements of Condition and represents lease rent and residual receivables net of the unearned income. Under operating leases, property is recorded at cost and depreciated on a straight-line basis over the lease term to an estimated residual value. We recognize operating lease revenue evenly over the term of the lease in "Net operating lease income" in the Consolidated Statements of Comprehensive Income. We charge depreciation and other expenses against revenue as incurred. The amortized cost of operating leases is included in "Assets held for lease, net" in the Consolidated Statements of Condition and represents the asset cost net of accumulated depreciation.

Investment in AgriBank: Our stock investment in AgriBank is on a cost plus allocated equities basis.

Premises and Equipment: The carrying amount of premises and equipment is at cost, less accumulated depreciation. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets. Gains or losses on disposition are included in "Fee and other non-interest income" or "Other non-interest expense", respectively, in the Consolidated Statements of Comprehensive Income. Depreciation and maintenance and repair expenses are included in "Other operating expense" in the Consolidated Statements of Comprehensive Income and improvements are capitalized.

Other Property Owned: Other property owned, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at the fair value less estimated selling costs upon acquisition and is included in "Other assets" in the Consolidated Statements of Condition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. Revised estimates to the fair value less costs to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Related income, expenses, and gains or losses from operations and carrying value adjustments are included in "Other non-interest expense" in the Consolidated Statements of Comprehensive Income.

Post-Employment Benefit Plans: The District has various post-employment benefit plans in which our employees participate. Expenses related to these plans, except for the AgriBank District Pension Restoration Plan, are included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income.

Certain employees participate in the AgriBank District Retirement Plan. The plan is comprised of two benefit formulas. At their option, employees hired prior to October 1, 2001, are on the cash balance formula or on the final average pay formula. Benefits eligible employees hired between October 1, 2001, and December 31, 2006, are on the cash balance formula. Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. The AgriBank District Retirement Plan utilizes the "Projected Unit Credit" actuarial method for financial reporting and funding purposes.

Certain employees also participate in the AgriBank District Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits. The pension liability attributable to the Pension Restoration Plan at the Association and the related accumulated other comprehensive loss are included in the Consolidated Statements of Condition. The components of the net periodic cost other than the service cost component, are included in "Other operating expense" on the Consolidated Statements of Comprehensive Income. Service costs are included in "Salaries and employee benefits" on the Consolidated Statements of Comprehensive Income.

We also provide certain health insurance benefits to eligible retired employees according to the terms of those benefit plans. The anticipated cost of these benefits is accrued during the employees' active service period.

The defined contribution plan allows eligible employees to save for their retirement either pre-tax, post-tax, or both, with an employer match on a percentage of the employee's contributions. We provide benefits under this plan for those employees that do not participate in the AgriBank District Retirement Plan in the form of a fixed percentage of salary contribution in addition to the employer match. Employer contributions are expensed when incurred.

Certain employees also participate in the Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the Internal Revenue Service (IRS), are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the retirement savings plan if it were not for certain IRS limitations.

Income Taxes: The ACA and PCA accrue federal and certain state income taxes. The ACA and PCA are exempt from Minnesota state income tax. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance. The expected future tax consequences of uncertain income tax positions are accrued.

The FLCA is exempt from federal and other taxes to the extent provided in the Farm Credit Act.

Patronage Program: We accrue patronage distributions according to a prescribed formula approved by the Board of Directors that is expected to be paid in the following year. Nonqualified patronage distributions do not qualify as a deduction from our taxable income, and the client receiving it does not record it as taxable income, until it is redeemed at some future date. The redemption of nonqualified patronage distributions is at the discretion of the Board of Directors.

Derivatives: Derivatives are used to manage exposure to interest rate risk and changes in the fair value of investments available for sale, loans held for sale and the interest rate lock commitments that are determined prior to funding. Unfunded commitments for residential mortgages intended to be held for sale are considered derivatives. In addition, we are party to derivative financial instruments called "to be announced" securities (TBAs), which are measured in terms of notional amounts. The notional amount is not exchanged and is used as a basis on which interest payments are determined.

These derivatives are recorded at fair value on the Consolidated Statements of Condition as "Other assets" or "Other liabilities" on a net basis. The derivatives are designed as economic hedging instruments and, accordingly, changes in fair value are accounted for as gains or losses through earnings in "Fee and other non-interest income" in the Consolidated Statements of Comprehensive Income. Losses resulting from counterparty risk (if applicable) would be accounted for as a component of "Accumulated other comprehensive loss", in the equity section of the Consolidated Statements of Condition.

Off-Balance Sheet Credit Exposures: Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. The commitments to extend credit generally have fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Any reserve for unfunded lending commitments and unexercised letters of credit is based on management's best estimate of losses inherent in these instruments, but the commitments have not yet disbursed. Factors such as likelihood of disbursement and likelihood of losses given disbursement are utilized in determining a reserve, if needed. Based on our assessment, any reserve would be recorded in "Other liabilities" in the Consolidated Statements of Condition and a corresponding loss would be recorded in "Provision for credit losses" in the Consolidated Statements of Comprehensive Income. However, no such reserve was considered necessary as of December 31, 2021, 2020, or 2019.

Cash: For purposes of reporting cash flow, cash includes cash on hand and deposits in banks. Cash balances at times may exceed federally insured limits. Restricted cash is recorded in "Other assets" in the Consolidated Statements of Condition.

Fair Value Measurement: The accounting guidance describes three levels of inputs that may be used to measure fair value.

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, quoted prices that are not current, or principal market information that is not released publicly
- Inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks, and default rates
- Inputs derived principally from or corroborated by observable market data by correlation or other means

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own judgments about assumptions that market participants would use in pricing the asset or liability. Level 3

assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standards to be applicable to our business. 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 March 2020, the FASB issued Accounting Standards Update (ASU) 2020-04 "Reference Rate Reform, Topic 848." In January 2021, the FASB issued ASU 2021-01 further amending Topic 848. This guidance may be elected and applied prospectively over time from March 12, 2020, through December 31, 2022, as reference rate reform activities occur.	The guidance provides optional expedients and exceptions for applying GAAP to contracts and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate.	During March 2021, we adopted this standard. To date, the adoption of this standard has not had a material impact on our financial condition, results of operations, cash flows, and financial statement disclosures.
In June 2016, the FASB issued ASU 2016-13 "Financial Instruments - Credit Losses." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amended the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	We expect to adopt the standard as of January 1, 2023. The development of our model to estimate credit losses for our loan portfolio is complete and a validation of the model was completed by an outside provider. Our processes and internal controls related to the model and the estimation of credit losses for loans are currently being designed. We are also evaluating the impact of the standard as it relates to our investment portfolio. We are in the process of drafting disclosures and accounting policies. The extent of the impact on our financial statements will depend on economic conditions, forecasts and the composition of our loan and investment portfolios at the time of adoption.

NOTE 3: LOANS HELD TO MATURITY AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of December 31	2021		2020		2019	
	Amount	%	Amount	%	Amount	%
Real estate mortgage	\$ 13,410,996	54.8%	\$ 11,708,049	51.9%	\$ 9,829,067	49.4%
Production and intermediate-term	4,115,583	16.8%	4,069,993	18.0%	4,020,065	20.2%
Agribusiness	4,604,844	18.8%	4,634,460	20.5%	3,976,708	20.0%
Other	2,358,744	9.6%	2,172,602	9.6%	2,077,725	10.4%
Total	\$ 24,490,167	100.0%	\$ 22,585,104	100.0%	\$ 19,903,565	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).

Portfolio Concentrations

Concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities, which could cause them to be similarly impacted by economic conditions. We lend primarily within agricultural industries.

As of December 31, 2021, volume plus commitments to our ten largest borrowers totaled an amount equal to 3.5% of total loans and commitments.

Total loans plus any unfunded commitments represent a proportionate maximum potential credit risk. However, substantial portions of our lending activities are collateralized. In addition, a certain portion of our loans are guaranteed by the Federal Agricultural Mortgage Corporation (Farmer Mac) or U.S. government agencies. Accordingly, the credit risk associated with lending activities is less than the recorded loan principal. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include real estate, equipment, inventory, livestock, and income-producing property. Long-term real estate loans are secured by the first liens on the underlying real property.

Participations

We may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, or comply with the limitations of the FCA Regulations or General Financing Agreement (GFA) with AgriBank.

Participations Purchased and Sold

(in thousands)	AgriBank		Other Farm		Non-Farm		Total	
	Participations		Credit Institutions		Credit Institutions		Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
As of December 31, 2021								
Real estate mortgage	\$ --	\$ (1,206,777)	\$ 335,028	\$ (426,253)	\$ 3,325,916	\$ (36,661)	\$ 3,660,944	\$ (1,669,691)
Production and intermediate-term	--	(780,393)	314,061	(1,200,297)	1,896,879	(21,244)	2,210,940	(2,001,934)
Agribusiness	--	(285,326)	1,718,039	(1,948,019)	1,152,431	(3,354)	2,870,470	(2,236,699)
Other	--	(116,629)	2,271,079	(672,604)	15,317	--	2,286,396	(789,233)
Total	\$ --	\$ (2,389,125)	\$ 4,638,207	\$ (4,247,173)	\$ 6,390,543	\$ (61,259)	\$ 11,028,750	\$ (6,697,557)

As of December 31, 2020	AgriBank		Other Farm		Non-Farm		Total	
	Participations		Credit Institutions		Credit Institutions		Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	\$ --	\$ (1,386,733)	\$ 449,721	\$ (367,493)	\$ 2,707,059	\$ (36,057)	\$ 3,156,780	\$ (1,790,283)
Production and intermediate-term	--	(520,069)	318,323	(1,029,456)	1,529,168	(22,119)	1,847,491	(1,571,644)
Agribusiness	--	(64,688)	1,627,723	(1,755,050)	1,195,209	(3,784)	2,822,932	(1,823,522)
Other	--	(13,788)	1,940,692	(577,655)	1,014	--	1,941,706	(591,443)
Total	\$ --	\$ (1,985,278)	\$ 4,336,459	\$ (3,729,654)	\$ 5,432,450	\$ (61,960)	\$ 9,768,909	\$ (5,776,892)

As of December 31, 2019	AgriBank		Other Farm		Non-Farm		Total	
	Participations		Credit Institutions		Credit Institutions		Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	\$ --	\$ (1,630,972)	\$ 426,635	\$ (289,363)	\$ 2,080,321	\$ (36,173)	\$ 2,506,956	\$ (1,956,508)
Production and intermediate-term	--	(465,397)	311,094	(875,723)	1,265,335	(17,546)	1,576,429	(1,358,666)
Agribusiness	--	(54,173)	1,475,257	(1,523,309)	1,109,528	(4,412)	2,584,785	(1,581,894)
Other	--	(18,429)	1,796,034	(515,278)	1,383	--	1,797,417	(533,707)
Total	\$ --	\$ (2,168,971)	\$ 4,009,020	\$ (3,203,673)	\$ 4,456,567	\$ (58,131)	\$ 8,465,587	\$ (5,430,775)

Information in the preceding chart excludes loans characterized as mission related investments.

On July 1, 2021, we purchased loans totaling \$1.1 billion from AgriBank. In previous periods we sold participation interest in these loans to AgriBank as part of pool programs. Additionally, on the same day, we sold AgriBank participations of \$1.6 billion, representing a 10% participation across most of our loan portfolio.

Credit Quality and Delinquency

We utilize the 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 December 31, 2021, 2020, or 2019.

Credit Quality of Loans

(dollars in thousands) As of December 31, 2021	Acceptable		Special Mention		Substandard/ Doubtful		Total	
	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	<u>\$ 23,679,489</u>	<u>96.1%</u>	<u>\$ 496,660</u>	<u>2.0%</u>	<u>\$ 471,888</u>	<u>1.9%</u>	<u>\$ 24,648,037</u>	<u>100.0%</u>

As of December 31, 2020	Acceptable		Special Mention		Substandard/ Doubtful		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	\$ 11,036,529	93.5%	\$ 376,502	3.2%	\$ 388,037	3.3%	\$ 11,801,068	100.0%
Production and intermediate-term	3,752,161	91.3%	177,139	4.3%	182,422	4.4%	4,111,722	100.0%
Agribusiness	4,421,378	95.1%	158,853	3.4%	69,784	1.5%	4,650,015	100.0%
Other	2,170,517	99.6%	2,020	0.1%	5,819	0.3%	2,178,356	100.0%
Total	<u>\$ 21,380,585</u>	<u>94.1%</u>	<u>\$ 714,514</u>	<u>3.1%</u>	<u>\$ 646,062</u>	<u>2.8%</u>	<u>\$ 22,741,161</u>	<u>100.0%</u>

As of December 31, 2019	Acceptable		Special Mention		Substandard/ Doubtful		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	\$ 9,099,203	91.7%	\$ 440,786	4.4%	\$ 383,315	3.9%	\$ 9,923,304	100.0%
Production and intermediate-term	3,565,832	87.5%	305,695	7.5%	202,603	5.0%	4,074,130	100.0%
Agribusiness	3,848,061	96.4%	57,787	1.4%	86,086	2.2%	3,991,934	100.0%
Other	2,011,447	96.6%	11,221	0.5%	61,437	2.9%	2,084,105	100.0%
Total	<u>\$ 18,524,543</u>	<u>92.3%</u>	<u>\$ 815,489</u>	<u>4.1%</u>	<u>\$ 733,441</u>	<u>3.6%</u>	<u>\$ 20,073,473</u>	<u>100.0%</u>

Note: Accruing loans include accrued interest receivable.

Aging Analysis of Loans

(in thousands) 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		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	<u>\$ 72,344</u>	<u>\$ 38,271</u>	<u>\$ 110,615</u>	<u>\$ 24,537,422</u>	<u>\$ 24,648,037</u>	<u>\$ 9,091</u>				

As of December 31, 2020	30-89 Days Past Due		90 Days or More Past Due		Total Past Due		Not Past Due or Less Than 30 Days Past Due		Accruing Loans 90 Days or More Past Due	
Real estate mortgage	\$ 45,022	\$ 24,634	\$ 69,656	\$ 11,731,412	\$ 11,801,068	\$ 1,215				
Production and intermediate-term	20,563	21,967	42,530	4,069,192	4,111,722	154				
Agribusiness	458	829	1,287	4,648,728	4,650,015	--				
Other	8,319	3,078	11,397	2,166,959	2,178,356	1,782				
Total	<u>\$ 74,362</u>	<u>\$ 50,508</u>	<u>\$ 124,870</u>	<u>\$ 22,616,291</u>	<u>\$ 22,741,161</u>	<u>\$ 3,151</u>				

As of December 31, 2019	30-89 Days Past Due		90 Days or More Past Due		Total Past Due		Not Past Due or Less Than 30 Days Past Due		Accruing Loans 90 Days or More Past Due	
Real estate mortgage	\$ 43,078	\$ 41,949	\$ 85,027	\$ 9,838,277	\$ 9,923,304	\$ 496				
Production and intermediate-term	17,045	26,340	43,385	4,030,745	4,074,130	--				
Agribusiness	5,249	7,422	12,671	3,979,263	3,991,934	--				
Other	6,027	5,677	11,704	2,072,401	2,084,105	4,517				
Total	<u>\$ 71,399</u>	<u>\$ 81,388</u>	<u>\$ 152,787</u>	<u>\$ 19,920,686</u>	<u>\$ 20,073,473</u>	<u>\$ 5,013</u>				

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. Interest income recognized and cash payments received on nonaccrual risk loans are applied as described in Note 2.

Risk Loan Information

(in thousands)

As of December 31	2021	2020	2019
Nonaccrual loans:			
Current as to principal and interest	\$ 81,160	\$ 85,409	\$ 63,873
Past due	33,263	51,941	90,269
Total nonaccrual loans	114,423	137,350	154,142
Accruing restructured loans	6,931	9,071	7,067
Accruing loans 90 days or more past due	9,091	3,151	5,013
Total risk loans	\$ 130,445	\$ 149,572	\$ 166,222
Volume with specific allowance	\$ 46,287	\$ 53,132	\$ 45,235
Volume without specific allowance	84,158	96,440	120,987
Total risk loans	\$ 130,445	\$ 149,572	\$ 166,222
Total specific allowance	\$ 18,669	\$ 16,544	\$ 22,658
For the year ended December 31	2021	2020	2019
Income on accrual risk loans	\$ 727	\$ 869	\$ 901
Income on nonaccrual loans	2,527	9,075	3,476
Total income on risk loans	\$ 3,254	\$ 9,944	\$ 4,377
Average risk loans	\$ 155,081	\$ 152,880	\$ 160,005

Note: Accruing loans include accrued interest receivable.

Nonaccrual Loans by Loan Type

(in thousands)

As of December 31	2021	2020	2019
Real estate mortgage	\$ 69,125	\$ 86,506	\$ 82,322
Production and intermediate-term	30,132	44,533	43,862
Agribusiness	13,088	3,891	16,990
Other	2,078	2,420	10,968
Total	\$ 114,423	\$ 137,350	\$ 154,142

Additional Impaired Loan Information by Loan Type

(in thousands)	As of December 31, 2021			For the year ended December 31, 2021	
	Recorded Investment ¹	Unpaid Principal Balance ²	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	\$ 18,396	\$ 19,137	\$ 7,029	\$ 22,649	\$ --
Production and intermediate-term	13,802	14,655	6,404	17,664	--
Agribusiness	13,088	13,552	4,573	12,505	--
Other	1,001	1,001	663	816	--
Total	\$ 46,287	\$ 48,345	\$ 18,669	\$ 53,634	\$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	\$ 57,244	\$ 82,871	\$ --	\$ 65,964	\$ 1,020
Production and intermediate-term	16,747	34,743	--	24,295	1,622
Agribusiness	--	845	--	4,504	--
Other	10,167	9,892	--	6,684	612
Total	\$ 84,158	\$ 128,351	\$ --	\$ 101,447	\$ 3,254
Total impaired loans:					
Real estate mortgage	\$ 75,640	\$ 102,008	\$ 7,029	\$ 88,613	\$ 1,020
Production and intermediate-term	30,549	49,398	6,404	41,959	1,622
Agribusiness	13,088	14,397	4,573	17,009	--
Other	11,168	10,893	663	7,500	612
Total	\$ 130,445	\$ 176,696	\$ 18,669	\$ 155,081	\$ 3,254
(in thousands)	As of December 31, 2020			For the year ended December 31, 2020	
	Recorded Investment ¹	Unpaid Principal Balance ²	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	\$ 33,129	\$ 33,847	\$ 6,222	\$ 12,232	\$ --
Production and intermediate-term	15,325	15,727	8,821	12,460	--
Agribusiness	3,812	4,277	1,113	12,252	--
Other	866	898	388	5,679	--
Total	\$ 53,132	\$ 54,749	\$ 16,544	\$ 42,623	\$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	\$ 62,827	\$ 86,239	\$ --	\$ 72,978	\$ 5,783
Production and intermediate-term	30,198	47,495	--	27,879	3,839
Agribusiness	79	911	--	2,724	--
Other	3,336	3,880	--	6,676	322
Total	\$ 96,440	\$ 138,525	\$ --	\$ 110,257	\$ 9,944
Total impaired loans:					
Real estate mortgage	\$ 95,956	\$ 120,086	\$ 6,222	\$ 85,210	\$ 5,783
Production and intermediate-term	45,523	63,222	8,821	40,339	3,839
Agribusiness	3,891	5,188	1,113	14,976	--
Other	4,202	4,778	388	12,355	322
Total	\$ 149,572	\$ 193,274	\$ 16,544	\$ 152,880	\$ 9,944

	As of December 31, 2019			For the year ended December 31, 2019	
	Recorded Investment ¹	Unpaid Principal Balance ²	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	\$ 5,321	\$ 5,807	\$ 2,863	\$ 5,030	\$ --
Production and intermediate-term	15,238	16,877	9,590	15,345	--
Agribusiness	15,906	17,904	7,540	14,279	--
Other	8,770	9,987	2,665	9,443	--
Total	<u>\$ 45,235</u>	<u>\$ 50,575</u>	<u>\$ 22,658</u>	<u>\$ 44,097</u>	<u>\$ --</u>
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	\$ 83,912	\$ 105,947	\$ --	\$ 79,301	\$ 3,638
Production and intermediate-term	29,276	49,185	--	29,482	334
Agribusiness	1,084	1,411	--	973	--
Other	6,715	7,365	--	6,152	405
Total	<u>\$ 120,987</u>	<u>\$ 163,908</u>	<u>\$ --</u>	<u>\$ 115,908</u>	<u>\$ 4,377</u>
Total impaired loans:					
Real estate mortgage	\$ 89,233	\$ 111,754	\$ 2,863	\$ 84,331	\$ 3,638
Production and intermediate-term	44,514	66,062	9,590	44,827	334
Agribusiness	16,990	19,315	7,540	15,252	--
Other	15,485	17,352	2,665	15,595	405
Total	<u>\$ 166,222</u>	<u>\$ 214,483</u>	<u>\$ 22,658</u>	<u>\$ 160,005</u>	<u>\$ 4,377</u>

¹The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, acquisition costs, and may also reflect a previous direct charge-off of the investment.

²Unpaid principal balance represents the contractual principal balance of the loan.

We had no material commitments to lend additional money to borrowers whose loans were classified as risk loans at December 31, 2021.

Troubled Debt Restructurings (TDRs)

Included within our loans are TDRs. These loans have been modified by granting a concession in order to maximize the collection of amounts due when a borrower is experiencing financial difficulties. All risk loans, including TDRs, are analyzed within our allowance for loan losses.

TDR Activity

(in thousands)

For the year ended December 31

	2021		2020		2019	
	Pre-modification	Post-modification	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	\$ 1,490	\$ 2,165	\$ 4,574	\$ 5,047	\$ 293	\$ 293
Production and intermediate-term	4,078	3,554	2,236	1,729	138	116
Other	--	--	186	187	--	--
Total	<u>\$ 5,568</u>	<u>\$ 5,719</u>	<u>\$ 6,996</u>	<u>\$ 6,963</u>	<u>\$ 431</u>	<u>\$ 409</u>

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, acquisition costs, and may also reflect a previous direct charge-off of the investment.

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

There were no TDRs that defaulted during the years ended December 31, 2021, 2020, or 2019, in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands)

As of December 31	2021	2020	2019
Accrual status:			
Real estate mortgage	\$ 6,514	\$ 8,236	\$ 6,415
Production and intermediate-term	417	835	652
Agribusiness	--	--	--
Other	--	--	--
Total TDRs in accrual status	<u>\$ 6,931</u>	<u>\$ 9,071</u>	<u>\$ 7,067</u>
Nonaccrual status:			
Real estate mortgage	\$ 3,453	\$ 1,541	\$ 810
Production and intermediate-term	3,098	510	562
Agribusiness	--	--	3,719
Other	148	180	64
Total TDRs in nonaccrual status	<u>\$ 6,699</u>	<u>\$ 2,231</u>	<u>\$ 5,155</u>
Total TDRs:			
Real estate mortgage	\$ 9,967	\$ 9,777	\$ 7,225
Production and intermediate-term	3,515	1,345	1,214
Agribusiness	--	--	3,719
Other	148	180	64
Total TDRs	<u>\$ 13,630</u>	<u>\$ 11,302</u>	<u>\$ 12,222</u>

There were no material commitments to lend to borrowers whose loans have been modified in a TDR at December 31, 2021.

Allowance for Loan Losses**Changes in Allowance for Loan Losses**

(in thousands)

For the year ended December 31	2021	2020	2019
Balance at beginning of year	\$ 89,157	\$ 78,504	\$ 59,928
(Reversal of) provision for loan losses	(15,000)	27,894	20,777
Loan recoveries	274	875	985
Loan charge-offs	(10,731)	(18,116)	(3,186)
Balance at end of year	<u>\$ 63,700</u>	<u>\$ 89,157</u>	<u>\$ 78,504</u>

Changes in Allowance for Loan Losses and Year End Recorded Investments by Loan Type

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2020	\$ 46,564	\$ 26,164	\$ 11,707	\$ 4,722	\$ 89,157
(Reversal of) provision for loan losses	(13,721)	(10,254)	9,565	(590)	(15,000)
Loan recoveries	106	87	81	--	274
Loan charge-offs	(609)	(740)	(9,382)	--	(10,731)
Balance as of December 31, 2021	<u>\$ 32,340</u>	<u>\$ 15,257</u>	<u>\$ 11,971</u>	<u>\$ 4,132</u>	<u>\$ 63,700</u>
Ending balance: individually evaluated for impairment	<u>\$ 7,029</u>	<u>\$ 6,404</u>	<u>\$ 4,573</u>	<u>\$ 663</u>	<u>\$ 18,669</u>
Ending balance: collectively evaluated for impairment	<u>\$ 25,311</u>	<u>\$ 8,853</u>	<u>\$ 7,398</u>	<u>\$ 3,469</u>	<u>\$ 45,031</u>
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2021	<u>\$ 13,513,626</u>	<u>\$ 4,150,067</u>	<u>\$ 4,619,840</u>	<u>\$ 2,364,504</u>	<u>\$ 24,648,037</u>
Ending balance: individually evaluated for impairment	<u>\$ 75,640</u>	<u>\$ 30,549</u>	<u>\$ 13,088</u>	<u>\$ 11,168</u>	<u>\$ 130,445</u>
Ending balance: collectively evaluated for impairment	<u>\$ 13,437,986</u>	<u>\$ 4,119,518</u>	<u>\$ 4,606,752</u>	<u>\$ 2,353,336</u>	<u>\$ 24,517,592</u>

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2019	\$ 30,522	\$ 23,813	\$ 16,165	\$ 8,004	\$ 78,504
Provision for (reversal of) loan losses	17,918	8,290	2,051	(365)	27,894
Loan recoveries	155	544	30	146	875
Loan charge-offs	(2,031)	(6,483)	(6,539)	(3,063)	(18,116)
Balance as of December 31, 2020	\$ 46,564	\$ 26,164	\$ 11,707	\$ 4,722	\$ 89,157
Ending balance: individually evaluated for impairment	\$ 6,222	\$ 8,821	\$ 1,113	\$ 388	\$ 16,544
Ending balance: collectively evaluated for impairment	\$ 40,342	\$ 17,343	\$ 10,594	\$ 4,334	\$ 72,613
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2020	\$ 11,801,068	\$ 4,111,722	\$ 4,650,015	\$ 2,178,356	\$ 22,741,161
Ending balance: individually evaluated for impairment	\$ 95,956	\$ 45,523	\$ 3,891	\$ 4,202	\$ 149,572
Ending balance: collectively evaluated for impairment	\$ 11,705,112	\$ 4,066,199	\$ 4,646,124	\$ 2,174,154	\$ 22,591,589

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2018	\$ 24,516	\$ 19,062	\$ 9,650	\$ 6,700	\$ 59,928
Provision for loan losses	5,959	6,405	7,274	1,139	20,777
Loan recoveries	242	534	22	187	985
Loan charge-offs	(195)	(2,188)	(781)	(22)	(3,186)
Balance as of December 31, 2019	\$ 30,522	\$ 23,813	\$ 16,165	\$ 8,004	\$ 78,504
Ending balance: individually evaluated for impairment	\$ 2,863	\$ 9,590	\$ 7,540	\$ 2,665	\$ 22,658
Ending balance: collectively evaluated for impairment	\$ 27,659	\$ 14,223	\$ 8,625	\$ 5,339	\$ 55,846
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2019	\$ 9,923,304	\$ 4,074,130	\$ 3,991,934	\$ 2,084,105	\$ 20,073,473
Ending balance: individually evaluated for impairment	\$ 89,233	\$ 44,514	\$ 16,990	\$ 15,485	\$ 166,222
Ending balance: collectively evaluated for impairment	\$ 9,834,071	\$ 4,029,616	\$ 3,974,944	\$ 2,068,620	\$ 19,907,251

The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, acquisition costs, and may also reflect a previous direct charge-off of the investment.

NOTE 4: LOANS HELD FOR SALE

Loans Held for Sale Activity, at Fair Value

(in thousands)

For the year ended December 31	2021	2020	2019
Balance at beginning of year	\$ 51,541	\$ 27,807	\$ 18,496
Originations	72,915	145,584	136,620
Proceeds	(99,083)	(122,135)	(127,275)
Fair value adjustments	(477)	285	(34)
Balance at end of year	\$ 24,896	\$ 51,541	\$ 27,807

Note: The 2021 loans held for sale activity does not include a transfer of \$1.6 billion of loans related to the sale of participation interests. Prior to June 30, 2021, these loans were classified as held to maturity and were transferred to held for sale as of June 30, 2021. On July 1, 2021, we sold participation interests in these loans to AgriBank totaling \$1.6 billion.

Loans held for sale represent mortgage loans we intend to sell. The interest rate on these loans is set prior to funding. We are subject to the effects of changes in mortgage interest rates from the date of the interest rate lock commitment through the sale of the loan to a third party investor. As a result, we are exposed to interest rate risk and related price risk during the period from the date of the interest rate lock commitment through the interest rate lock commitment cancellation or expiration date or through the date of sale to a third party investor. To minimize risk we use forward commitments to sell TBAs at specified prices to economically hedge the interest rate risk.

NOTE 5: INVESTMENT SECURITIES

We have held-to-maturity investment securities of \$1.1 billion, \$1.1 billion, and \$1.2 billion at December 31, 2021, 2020, and 2019, respectively. Our investment securities consisted of:

- Mortgage-backed securities (MBS) issued by Farmer Mac or guaranteed by the Small Business Administration (SBA) or by the United States Department of Agriculture (USDA)
- Asset-backed securities (ABS) issued and guaranteed by SBA or USDA
- Municipal revenue bonds and a corporate debt security (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 held-to-maturity investment securities, except \$55.2 million, \$19.2 million, and \$14.1 million, were fully guaranteed by Farmer Mac, SBA, or USDA at December 31, 2021, 2020, and 2019, respectively.

Additional Held-to-Maturity Investment Securities Information

(dollars in thousands)	Amortized	Unrealized	Unrealized	Fair	Weighted
As of December 31, 2021	Cost	Gains	Losses	Value	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%

As of December 31, 2020	Amortized	Unrealized	Unrealized	Fair	Weighted
	Cost	Gains	Losses	Value	Average Yield
MBS and bonds	\$ 776,082	\$ 38,817	\$ (1,676)	\$ 813,223	3.7%
ABS	373,356	639	(4,944)	369,051	0.9%
Total	\$ 1,149,438	\$ 39,456	\$ (6,620)	\$ 1,182,274	2.8%

As of December 31, 2019	Amortized	Unrealized	Unrealized	Fair	Weighted
	Cost	Gains	Losses	Value	Average Yield
MBS and bonds	\$ 933,860	\$ 23,429	\$ (2,589)	\$ 954,700	4.4%
ABS	238,677	813	(2,598)	236,892	3.0%
Total	\$ 1,172,537	\$ 24,242	\$ (5,187)	\$ 1,191,592	4.1%

Investment income is recorded in "Interest income" in the Consolidated Statements of Comprehensive Income and totaled \$31.1 million, \$33.3 million, and \$44.2 million in 2021, 2020, and 2019, respectively.

Contractual Maturities of Held-to-Maturity Investment Securities

(in thousands)

As of December 31, 2021	Amortized Cost
Less than one year	\$ 17,529
One to five years	23,236
Five to ten years	282,615
More than ten years	802,581
Total	\$ 1,125,961

Actual maturity of the held-to-maturity 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 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)

	Less than 12 months		Greater than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
As of December 31, 2020				
MBS and bonds	\$ 108,234	\$ (1,429)	\$ 5,732	\$ (247)
ABS	223,290	(3,299)	66,958	(1,645)
Total	\$ 331,524	\$ (4,728)	\$ 72,690	\$ (1,892)

	Less than 12 months		Greater than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
As of December 31, 2019				
MBS and bonds	\$ 5,276	\$ (14)	\$ 31,400	\$ (2,575)
ABS	112,734	(1,467)	23,431	(1,131)
Total	\$ 118,010	\$ (1,481)	\$ 54,831	\$ (3,706)

Unrealized losses greater than 12 months associated with held-to-maturity 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.

We had no outstanding available-for-sale investment securities at December 31, 2021, 2020, or 2019.

Additional Available-for-Sale Investment Securities Information

(in thousands)

For the year ended December 31	2021	2020	2019
Proceeds from sales	\$ --	\$ 37,020	\$ 60,481
Realized losses on sales, net	--	(181)	(635)

The investment portfolio is evaluated for other-than-temporary impairment. For the years ended December 31, 2021, 2020, and 2019, we have not recognized any impairment on our investment securities portfolio.

NOTE 6: INVESTMENT IN AGRIBANK

As of December 31, 2021, we were required by AgriBank to maintain an investment equal to 2.5% of the average quarterly balance of our note payable, with an additional amount required on association growth in excess of a targeted growth rate, if the District is also growing above a targeted growth rate. As of March 31, 2022, the required investment is increasing to 2.55%.

We are also required to hold AgriBank stock related to our participation in pool programs. The required investment amount varies by pool program and is generally a percentage of the loan balance in the pool.

AgriBank's capital plan provides for annual retirement of AgriBank stock and optimizes capital at the Bank by distributing all available Bank earnings in the form of patronage, either in cash or stock. The plan is designed to maintain capital adequacy such that sufficient earnings will be retained in the form of allocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

NOTE 7: NOTE PAYABLE TO AGRIBANK

Our note payable to AgriBank represents borrowings, in the form of a line of credit, to fund our loan portfolio. The line of credit is governed by a GFA and substantially all of our assets serve as collateral.

Note Payable Information

(dollars in thousands)

As of December 31	2021	2020	2019
Line of credit	\$ 27,000,000	\$ 27,000,000	\$ 22,000,000
Outstanding principal under the line of credit	21,900,691	20,467,861	17,940,024
Interest rate	1.3%	1.3%	2.5%

Our note payable is scheduled to mature on September 30, 2023. We intend to renegotiate the note payable no later than the maturity date.

The GFA provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances, credit quality, and financial condition. Additionally, we have requirements to maintain an effective program of internal controls over financial reporting. At December 31, 2021, and throughout the year, we were not declared in default under any GFA covenants or provisions.

NOTE 8: SUBORDINATED DEBT

In May 2021, we issued \$150.0 million of aggregate principal amount of unsecured subordinated notes due on June 1, 2036, with an option to redeem all or some of the notes, at any time after a date 10 years from the closing date. The notes bear a fixed-to-floating interest rate of 3.375% per annum through May 31, 2031. Beginning June 1, 2031, the interest rate shall reset quarterly to an interest rate per annum equal to the then three-month term Secured Overnight Financing Rate (SOFR) plus 196.5 basis points. Concurrently, we issued \$50.0 million of aggregate principal amount of unsecured subordinated notes due on June 1, 2031, with an option to redeem all or some of the notes, at any time after a date five years from the closing date. The notes bear a fixed-to-floating interest rate of 2.75% per annum through May 31, 2026. Beginning June 1, 2026, the interest rate shall reset quarterly to an interest rate per annum equal to the then three-month term SOFR plus 203.0 basis points. These notes are unsecured and subordinate to all other categories of creditors, including general creditors, and senior to all classes of stock. Proceeds have increased our regulatory permanent capital and total capital ratios and position us for the future. The subordinated notes are not Systemwide debt and are not an obligation of, nor guaranteed by any System entity. Payments on the subordinated notes are not insured by the Farm Credit Insurance Fund.

NOTE 9: EQUITY

Capitalization Requirements

In accordance with the Farm Credit Act, each client is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2.0% of the customer's total loan(s) or one thousand dollars, whichever is less. The purchase of one participation certificate is required of all customers to whom a lease is issued and of all non-stockholder customers who purchase financial services. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The client acquires ownership of capital stock or participation certificates at the time the loan or lease is made. The aggregate value of the stock is added to the principal amount of the related obligation. However, in certain circumstances, clients are not currently required to make a cash investment to acquire capital stock or participation certificates. Instead, their obligation to pay for the capital stock or participation certificates is maintained as an interest free obligation with the Association. The capital stock and participation certificates are at-risk investments as described in our capital bylaws. We retain a first lien on common stock or participation certificates owned by our clients. Stock is retired in accordance with our bylaws. Clients are responsible for payment of the cash investment upon demand by the Association. Effective January 1, 2020, there was a change in the regulatory interpretation related to the accounting for non-interest bearing receivables related to capital stock and participation certificates. All capital stock and participation certificates will be included within equity on the Consolidated Statements of Condition and a contra line item, "Capital stock and participation certificates receivable", has been added to report capital stock and participation certificates where a cash investment is not required. This change had no impact on the capital stock or participation certificates owned by the Association clients, and clients retain all rights afforded to them by the Farm Credit Act.

Regulatory Capitalization Requirements

Regulatory Capital Requirements and Ratios

As of December 31	2021	2020	2019	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	13.9%	14.3%	15.0%	4.5%	2.5%	7.0%
Tier 1 capital ratio	14.6%	14.7%	15.5%	6.0%	2.5%	8.5%
Total capital ratio	15.8%	15.2%	15.9%	8.0%	2.5%	10.5%
Permanent capital ratio	15.7%	15.0%	15.9%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	14.9%	14.8%	15.4%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	14.7%	14.6%	14.8%	1.5%	N/A	1.5%

Risk-adjusted assets have been defined by the FCA Regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets.

Risk-adjusted assets is calculated differently for the permanent capital ratio (referred herein as PCR risk-adjusted assets) compared to the other risk-based capital ratios. The primary difference is the inclusion of the allowance for loan losses as a deduction to risk-adjusted assets for the permanent capital ratio.

These ratios are based on a three-month average daily balance in accordance with the FCA Regulations and are calculated as follows (not all items below may be applicable to our Association):

- Common equity tier 1 ratio is statutory minimum purchased member stock, other required member stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to retirement, unallocated retained earnings as regulatorily prescribed, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is tier 1 capital plus other required member stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt, and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance for loan losses and reserve for credit losses subject to certain limitations, less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.

- Permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings as regulatorily prescribed, paid-in capital, subordinated debt, and preferred stock subject to certain limitations, less certain allocated and purchased investments in other System institutions divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- Unallocated retained earnings and equivalents leverage ratio is unallocated retained earnings as regulatorily prescribed, paid-in capital, allocated surplus not subject to retirement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (dividends, patronage, equity redemptions, and other distributions) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

Description of Equities

The following represents information regarding classes and number of shares of stock and participation certificates outstanding. All shares and participation certificates are stated at a \$5.00 par value, except for Series A-1 and B-1 preferred stock, which are \$1,000 par value.

As of December 31	Number of Shares		
	2021	2020	2019
Class B common stock (at-risk)	6,636,168	6,499,343	6,287,297
Class E participation certificates (at-risk)	289,962	269,096	260,031
Series A-1 preferred stock	100,000	100,000	100,000
Series B-1 preferred stock	100,000	--	--

Under our bylaws, we are also authorized to issue Class C and Class D common stock. Each of these classes of common stock is at-risk and nonvoting with a \$5.00 par value per share. Currently, no stock of these classes has been issued.

In May 2013, we issued \$100.0 million of Series A-1 non-cumulative perpetual preferred stock. This series may be held or transferred in blocks having an aggregate par value of not less than \$250,000 and an investor must hold at least 250 shares. We used the net proceeds from the Series A-1 preferred stock issuance to increase our regulatory capital pursuant to FCA Regulations in effect at the time of issuance, for the continued development of our business, and for general corporate purposes.

Dividends on the Series A-1 preferred stock, if declared by the Board of Directors in its sole discretion, are non-cumulative and are payable quarterly in arrears on the 15th day of February, May, August, and November, beginning on August 15, 2013. Dividends accrue at a fixed annual rate of 6.75% from the date of issuance through August 14, 2023, and beginning on August 15, 2023, will accrue at an annual rate equal to the 3-month United States Dollar London Inter-bank Offered Rate (LIBOR), reset quarterly, plus 4.58%. If LIBOR is not readily available at this time, a new 3-month rate will be determined as outlined in the preferred stock documentation. The Series A-1 preferred stock is not mandatorily redeemable at any time. However, the Series A-1 preferred stock will be redeemable at par value, in whole or in part, at our option, quarterly beginning on August 15, 2023. In addition, the Series A-1 preferred stock will be redeemable in whole, at our option, at any time upon the occurrence of certain defined regulatory events.

In May 2021, we issued \$100.0 million of Series B-1 non-cumulative perpetual preferred stock, representing 100,000 shares at \$1,000 per share par value. Costs of \$2.4 million incurred with this preferred stock issuance are presented as a direct deduction of capital in the Consolidated Financial Statements. This series may be held or transferred in blocks having an aggregate par value of not less than \$250,000 and an investor must hold at least 250 shares. We used the net proceeds from the Series B-1 preferred stock issuance to increase our permanent capital, tier 1 capital, and total capital ratios and for general corporate purposes, including to pay down a portion of our outstanding note payable to AgriBank.

Dividends on the Series B-1 preferred stock, if declared by the Board of Directors in its sole discretion, are non-cumulative and are payable quarterly in arrears on the 15th day of February, May, August, and November, beginning on August 15, 2021. Dividends will accrue at a fixed annual rate of 4.875% from the date of issuance through August 14, 2026, and beginning on August 15, 2026, will accrue at an annual rate equal to the five-year treasury rate, reset quarterly, plus 4.10%. The Series B-1 preferred stock is not mandatorily redeemable at any time. However, the Series B-1 preferred stock will be redeemable at par value, in whole or in part, at our option, quarterly beginning on August 15, 2026. In addition, the Series B-1 preferred stock will be redeemable in whole, at our option, at any time upon the occurrence of certain defined regulatory events.

The Series A-1 and B-1 preferred stock are junior to any subordinated debt, existing and future debt obligations, and to any series of preferred stock we may issue in the future with priority rights. Series A-1 and B-1 preferred stock have the same ranking and are senior to outstanding Class B, Class C, or Class D common stock, Class E participation certificates, and patronage equities. Series A-1 and B-1 preferred stockholders do not have any voting rights, but may appoint two board observers after six unpaid dividend payments. The Series A-1 and B-1 preferred stock have a preference as to dividends and on liquidation or dissolution over all other classes of equities.

Only holders of Class B common stock have voting rights. Our bylaws allow us to pay dividends on any classes of stock. However, no stock dividends have been declared to date other than on Series A-1 and B-1 preferred stock.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of our Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2021, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In the event of our liquidation or dissolution, according to our bylaws, any remaining assets after payment or retirement of all liabilities will be distributed in the following order of priority:

- first, to holders of Series A-1 and B-1 preferred stock,
- second, to holders of Class B, Class C, and Class D common stock and Class E participation certificates pro rata to all such stock,
- third, to member stockholders who have received capital through patronage transactions pro rata to all such capital, and
- lastly, any remaining assets shall be distributed to current and former member stockholders based on relative patronage transactions.

In the event of stock impairment, losses will be absorbed by unallocated capital reserves, patronage equities, or the concurrent impairment of all classes of stock, in a manner deemed to be fair and equitable by the Board of Directors, provided that no shares of Series A-1 or B-1 preferred stock will be impaired until all classes of junior stock have been impaired in their entirety.

All classes of stock and participation certificates, other than Series A-1 and B-1 preferred stock, are transferable to other clients who are eligible to hold such class of stock or participation certificates. Transfers of Class B common stock are subject to the approval of the Board of Directors. Transfers of Class C or Class D common stock or Class E participation certificates are only allowed if we meet the regulatory minimum capital requirements. Series A-1 and B-1 preferred stock may only be transferred to qualified institutional buyers and institutional accredited investors, as those terms are defined by the Securities Act of 1933, as amended, and only in accordance with the terms and limitations of the Series A-1 and B-1 preferred stock offering documents.

Patronage Distributions

Patronage is a distribution of earnings and can be allocated and/or distributed in the form of cash, qualified written notices of allocations, and/or nonqualified written notices of allocation. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

As authorized by the Board of Directors, we accrued patronage distributions of \$202.0 million at December 31, 2021, for our cash patronage and nonqualified patronage programs. The cash patronage distributions of \$150.0 million are expected to be paid in cash during 2022. The redemptions of \$52.0 million of the nonqualified equities issued to former members of AgStar Financial Services, ACA (AgStar), 1st Farm Credit Services, ACA (1st FCS), and Badgerland Financial, ACA (Badgerland) are expected to be paid in the first quarter of 2022, and will also include \$1.2 million of other retirements. We accrued patronage distributions of \$197.0 million at December 31, 2020, for our cash patronage and nonqualified patronage programs. The cash patronage distributions of \$145.0 million were paid in cash during 2021. The redemptions of \$52.0 million of the nonqualified equities issued to former members of AgStar, 1st FCS, and Badgerland were paid in the first quarter of 2021, and also included \$783 thousand of other retirements. We accrued patronage distributions of \$177.0 million at December 31, 2019, for our cash patronage and nonqualified patronage programs. The cash patronage distributions of \$125.0 million were paid in cash during 2020. The redemptions of \$52.0 million of the nonqualified equities issued to former members of AgStar, 1st FCS, and Badgerland were paid in the first quarter of 2020.

Upon the merger, all allocated surplus issued by 1st FCS and Badgerland became allocated surplus in the merged Association. The allocated surplus held by former AgStar patrons remains outstanding as allocated surplus of the merged Association. With the exception of allocated surplus designated as permanent allocations, all allocated surplus is eligible to be redeemed in the future, if approved by the Board of Directors subject to compliance with Compeer Financial, ACA's bylaws. Redemptions of permanent allocations shall not be eligible to be redeemed. We made no net nonqualified patronage allocations at December 31, 2021, 2020, or 2019. Patronage equities have no voting rights, are redeemed at the sole discretion of the Board of Directors and are transferable only if specifically authorized by the Board of Directors.

The Board of Directors authorized the payment of \$7.3 million, \$6.8 million, and \$6.2 million of distributions on approved transactions in 2021, 2020, and 2019, respectively.

The timing and amounts of all future patronage redemptions and distribution payments remains at the discretion of the Board of Directors based on a combination of factors including the risk in our portfolio, earnings, and our current capital position. Further information regarding the tax impact of our patronage distributions is included in Note 10.

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (dividends, patronage, equity redemptions, and other distributions) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

NOTE 10: INCOME TAXES**Provision for Income Taxes****Provision for Income Taxes**

(dollars in thousands)

For the year ended December 31	2021	2020	2019
Current:			
Federal	\$ 119	\$ 6,677	\$ 5,574
State	2,527	600	436
Total current	\$ 2,646	\$ 7,277	\$ 6,010
Deferred:			
Federal	\$ 17,074	\$ 10,317	\$ 9,445
State	3,467	266	1,853
Total deferred	20,541	10,583	11,298
Provision for income taxes	\$ 23,187	\$ 17,860	\$ 17,308
Effective tax rate	4.4%	3.9%	4.2%

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

(in thousands)

For the year ended December 31	2021	2020	2019
Federal tax at statutory rates	\$ 109,523	\$ 96,128	\$ 86,925
State tax, net	2,740	2,138	1,698
Patronage distributions	(10,201)	(14,044)	(13,333)
Effect of non-taxable entity	(80,057)	(66,385)	(61,123)
Other prior year adjustment	1,182	23	3,141
Provision for income taxes	\$ 23,187	\$ 17,860	\$ 17,308

Deferred Income Taxes

Tax laws require certain items to be included in our tax returns at different times than the items are reflected on our Consolidated Statements of Comprehensive Income. Some of these items are temporary differences that will reverse over time. We record the tax effect of temporary differences as deferred tax assets and liabilities netted on our Consolidated Statements of Condition.

Deferred Tax Assets and Liabilities

(in thousands)

As of December 31	2021	2020	2019
Allowance for loan losses	\$ 8,340	\$ 11,033	\$ 9,529
Postretirement benefit accrual	975	977	980
Merger fair value adjustment	--	(9)	967
Deferred fee income, net	563	300	300
Accrued incentive	1,638	1,718	1,421
Leasing related, net	(46,026)	(29,582)	(19,594)
Accrued patronage income not received	(5,885)	(5,431)	(4,823)
Accrued pension asset	(7,999)	(6,414)	(5,201)
Depreciation	--	(18)	16
Other assets	1,899	1,344	906
Other liabilities	(766)	(638)	(638)
Deferred tax liabilities, net	\$ (47,261)	\$ (26,720)	\$ (16,137)
Gross deferred tax assets	\$ 13,415	\$ 15,372	\$ 14,119
Gross deferred tax liabilities	\$ (60,676)	\$ (42,092)	\$ (30,256)

A valuation allowance for the deferred tax assets was not necessary at December 31, 2021, 2020, or 2019.

We have not provided for deferred income taxes on approximately \$115.9 million of patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. Also, we have not provided deferred income taxes on \$8.8 million of patronage allocations in the form of AgriBank stock distributed in 2002 to the ACA and PCA. The Board of Directors has passed a resolution that, should this stock ever be converted to cash, creating a tax liability, an equal amount will

be distributed to patrons at that time under our patronage program. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of \$1.8 billion as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to stockholders in a manner that results in no additional tax liability to us.

Our income tax returns are subject to review by various United States taxing authorities. However, we believe we are no longer subject to income tax examinations for years prior to 2018. In addition, we have concluded that we have taken no uncertain income tax positions at December 31, 2021, that would result in recording an accrual.

NOTE 11: EMPLOYEE BENEFIT PLANS

Pension and Post-Employment Benefit Plans

Complete financial information for the pension and post-employment benefit plans may be found in the AgriBank 2021 Annual Report.

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans. These governance committees are comprised of elected or appointed representatives (senior leadership and/or Board of Director members) from the participating organizations. The Plan Sponsor Committee is responsible for employer decisions regarding all benefit plans including retirement benefits. These decisions could include plan design changes, vendor changes, determination of employer subsidies (if any), and termination of specific benefit plans. Any action to change or terminate the retirement plan can only occur at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

Pension Plan: Certain employees participate in the AgriBank District Retirement Plan, a District-wide multi-employer defined benefit retirement plan. The plan is comprised of two benefit formulas. At their option, employees hired prior to October 1, 2001, are on the cash balance formula or the final average pay formula. New benefits-eligible employees hired between October 1, 2001, and December 31, 2006, are on the cash balance formula. Effective January 1, 2007, the defined benefit retirement plan was closed to new employees. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan's benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan's termination is contingent on the sufficiency of the plan's net assets to provide benefits at that time. This plan is noncontributory and covers certain eligible District employees. The assets, liabilities, and costs of the plan are not segregated by participating entities. As such, plan assets are available for any of the participating employers' retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if we choose to stop participating in the plan, we may be required to pay an amount based on the underfunded status of the plan. Because of the nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee transfers to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on eligible compensation and years of service. There is no collective bargaining agreement in place as part of this plan.

AgriBank District Retirement Plan Information

(in thousands)

As of December 31	2021	2020	2019
Unfunded liability	\$ 46,421	\$ 169,640	\$ 220,794
Projected benefit obligation	1,500,238	1,563,421	1,421,126
Fair value of plan assets	1,453,817	1,393,781	1,200,332
Accumulated benefit obligation	1,384,554	1,426,270	1,298,942
For the year ended December 31	2021	2020	2019
Total plan expense	\$ 28,048	\$ 42,785	\$ 36,636
Our allocated share of plan expenses	8,629	12,357	10,465
Contributions by participating employers	90,000	90,000	90,000
Our allocated share of contributions	25,280	25,005	24,462

The unfunded liability reflects the net of the fair value of the plan assets and the projected benefit obligation at December 31. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The accumulated benefit obligation is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and based on current employee service and compensation. The funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding. Our allocated share of plan expenses is included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. Effective March 2021, a change in accounting policy was elected to use the fair value method for calculating the market-related value of assets for the fixed-income pension assets, directly impacting pension costs. The change in accounting principle did not have a material impact on the financial statements.

Benefits paid to participants in the District were \$88.6 million in 2021. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plan during 2022 is \$90.0 million. Our allocated share of these pension contributions is expected to be \$25.4 million. The amount ultimately to be contributed and the amount ultimately

recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.

Nonqualified Retirement Plan: We also participate in the District-wide nonqualified defined benefit Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits.

Pension Restoration Plan Information

(in thousands)

As of December 31	2021	2020	2019
Our unfunded liability	\$ 32,308	\$ 24,290	\$ 18,482
For the year ended December 31	2021	2020	2019
Our allocated share of plan expenses	\$ 6,368	\$ 2,306	\$ 2,432
Our cash contributions	1,101	1,839	1,687

The nonqualified plan is funded as the benefits are paid; therefore, there are no assets in the plan and the unfunded liability is equal to the projected benefit obligation. The amount of the pension benefits funding status is subject to many variables including interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their participants in the plan. Our allocated share of the components of net periodic benefit cost other than the service cost component, are included in "Other operating expense" in the Consolidated Statements of Comprehensive Income. Service costs related to the plan are included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. The Pension Restoration Plan is unfunded and we make annual contributions to fund benefits paid to our retirees covered by the plan. Our cash contributions are equal to the benefits paid. There were no benefits paid under the Pension Restoration Plan to our senior officers who were actively employed during the year.

Retiree Medical Plans: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plans. The anticipated costs of these benefits are accrued during the period of the employee's active status. Net periodic benefit cost is included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. Postretirement benefit costs related to the retiree medical plans were not considered material for any of the years presented. Our cash contributions were equal to the benefits paid.

Defined Contribution Plans

We participate in a District-wide defined contribution plan. For employees hired before January 1, 2007, employee contributions are matched dollar for dollar up to 2.0% and 50 cents on the dollar on the next 4.0% on both pre-tax and post-tax contributions. The maximum employer match is 4.0%. For employees hired after December 31, 2006, we contribute 3.0% of the employee's compensation and will match employee contributions dollar for dollar up to a maximum of 6.0% on both pre-tax and post-tax contributions. The maximum employer contribution is 9.0%.

We also participate in a District-wide Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the defined contribution plan if it were not for certain IRS limitations.

Employer contribution expenses for the defined contribution plan, included in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income, were \$10.6 million, \$9.9 million, and \$8.6 million in 2021, 2020, and 2019, respectively. These expenses were equal to our cash contributions for each year.

NOTE 12: RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions may be subject to special approval requirements contained in the FCA Regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with other persons. In our opinion, none of these loans outstanding at December 31, 2021, involved more than a normal risk of collectability.

Related Party Loans Information

(in thousands)

As of December 31	2021	2020	2019
Total related party loans	\$ 47,343	\$ 43,799	\$ 59,294
For the year ended December 31	2021	2020	2019
Advances to related parties	\$ 32,733	\$ 21,482	\$ 33,228
Repayments by related parties	37,311	21,210	34,882

The related parties can be different each year end primarily due to changes in the composition of the Board of Directors and the mix of organizations with which such persons may be associated. Advances and repayments on loans in the preceding chart are related to those considered related parties at each respective year end.

As discussed in Note 7, we borrow from AgriBank, in the form of a line of credit, to fund our loan portfolio. All interest expense as shown on the Consolidated Statements of Comprehensive Income was paid to AgriBank.

Total patronage from AgriBank, which includes a partnership distribution from AgDirect, LLP, was \$171.7 million, \$157.0 million, and \$144.4 million in 2021, 2020, and 2019, respectively. Patronage income for 2021 and 2019 was paid in cash and AgriBank stock. Patronage income for 2020 was paid in cash.

In addition, we received compensation from AgriBank for servicing loans for the years ended 2021, 2020, and 2019 of \$3.8 million, \$3.7 million, and \$3.7 million for each respective year.

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

As of December 31, 2021, we purchased various business services from AgriBank, including financial reporting services. Until the formation of SunStream Business Services (SunStream) on April 1, 2020, we also purchased financial and retail information technology, collateral, tax reporting, and insurance services from AgriBank. These services are now purchased from SunStream. We also purchase human resource, benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). SunStream and Foundations are both System service corporations within the AgriBank District. In addition to the services we purchase from AgriBank, SunStream, and Foundations we also hold an investment in each of these institutions.

Additional Related Party Information

(in thousands)

As of December 31	2021	2020	2019
Investment in AgriBank	\$ 751,956	\$ 662,203	\$ 623,330
Investment in AgDirect, LLP	31,311	24,180	18,377
Investment in SunStream	5,625	5,625	--
Investment in Foundations	154	154	154
For the year ended December 31	2021	2020	2019
AgriBank District purchased services	\$ 6,023	\$ 4,611	\$ 4,352

NOTE 13: CONTINGENCIES AND COMMITMENTS

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

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

We have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. At December 31, 2021, we had commitments to extend credit and unexercised commitments related to standby letters of credit of \$6.2 billion. Additionally, we had \$82.5 million of issued standby letters of credit and \$16.3 million of other commitments as of December 31, 2021.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments to extend credit and letters of credit remain unfulfilled or have not expired, they may have credit risk not recognized in the financial statements. Many of the commitments to extend credit and letters of credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable us to recover from third parties amounts paid under guarantees, thereby limiting our maximum potential exposure. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers and we apply the same credit policies. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management's credit evaluation of the borrower.

In June 2021, we signed an agreement guaranteeing the amounts borrowed by SunStream on their line of credit with AgriBank, up to \$40.0 million. The term of the line of credit is 36 months and may be extended. The guarantee is in effect until any outstanding balance is paid in full. While we are primarily liable for our pro-rata portion of SunStream's indebtedness to AgriBank, we are jointly and severally liable with certain other owners of SunStream. In the event of default by SunStream, we are responsible for the prompt and full payment of amounts outstanding. However, we may seek reimbursement from the remaining owners of SunStream subject to the guarantee agreement. There was no outstanding balance on the SunStream line of credit at December 31, 2021. At this time we believe it is unlikely that we will be required to make payment under this guarantee.

We and other Farm Credit institutions are among the limited partners for Rural Business Investment Companies (RBICs). As of December 31, 2021, our total commitment is \$104.5 million of which \$58.0 million is unfunded, with varying commitment end dates through December 2030. Certain commitments may have an option to extend under certain circumstances.

NOTE 14: DERIVATIVES

We use forward commitments to sell TBAs at specified prices to economically hedge the interest rate risk on investments available-for-sale, loans held for sale, and interest rate lock commitments. Changes in fair value subsequent to inception are based on changes in the fair value of the underlying loan and for commitments to originate loans and changes in the probability that the loan will fund within the terms of the commitment. Changes in the probability that the loan will fund within the terms of the commitment are affected primarily by changes in interest rates and the passage of time.

As of December 31, 2021, we had \$8.5 million of forward commitments to sell, hedging \$24.9 million of mortgage loans held for sale and \$4.5 million of unfunded mortgage loan commitments. As of December 31, 2020, we had \$62.8 million of forward commitments to sell, hedging \$51.5 million of mortgage loans held for sale and \$28.1 million of unfunded mortgage loan commitments. As of December 31, 2019, we had \$47.5 million of forward commitments to sell, hedging \$27.8 million of mortgage loans held for sale and \$14.1 million of unfunded mortgage loan commitments. The forward commitments to sell and the unfunded mortgage loan commitments on loans intended to be sold are considered derivatives and are recognized at fair value. On the TBAs, we had gains of \$721 thousand, \$1.3 million, and \$265 thousand and losses of \$501 thousand, \$5.5 million, and \$1.1 million relating to net fair value adjustments and sales in 2021, 2020, and 2019, respectively. These amounts were included in "Fee and other non-interest income" in the Consolidated Statements of Comprehensive Income.

NOTE 15: 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 for a more complete description of the three input levels.

Recurring Basis

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

Loans Held For Sale: The loans held for sale portfolio is held at fair value. Fair value is based on the prices for other similar mortgage loans with similar characteristics. As necessary, these prices are adjusted for typical securitization activities, including servicing value, portfolio composition, market conditions, and liquidity. We had loans held for sale of \$24.9 million, \$51.5 million, and \$27.8 million, as of December 31, 2021, 2020, and 2019, respectively, which were valued using Level 3 inputs. Gains and losses related to these loans are recognized in "Fee and other non-interest income" and "Other non-interest expense", respectively, in the Consolidated Statements of Comprehensive Income and were not material for 2021, 2020, or 2019.

Investment Securities Available-for-Sale: Investment securities available-for-sale are held at fair value. Fair value is based on quoted market prices, where available, or the prices for other similar securities with similar characteristics. As necessary, these prices are adjusted for typical securitization activities, including servicing value, portfolio composition, market conditions, and liquidity. There was no available-for-sale activity during 2021. We had no outstanding available-for-sale investment securities at December 31, 2020, or 2019. During the years ended December 31, 2020, and 2019 we sold available-for-sale investment securities with total sales proceeds of \$37.0 million and \$60.5 million, resulting in a loss of \$181 thousand and \$635 thousand, in 2020 and 2019, respectively, which was 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 \$8.5 million, \$62.8 million, and \$47.5 million, as of December 31, 2021, 2020, and 2019, 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. We also used these instruments to hedge the changes in fair value related to investment securities available-for-sale. These derivatives were recorded on a net basis using Level 1 inputs. Net losses related to TBAs sold, combined with fair value gains on the TBAs, resulted in a net gain of \$220 thousand in 2021 compared to a net loss of \$4.3 million and \$804 thousand in 2020 and 2019, respectively. These were included in "Fee and other non-interest income" in the Consolidated Statements of Comprehensive Income.

Non-Recurring Basis

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

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

As of December 31, 2020	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Impaired loans	\$ --	\$ --	\$ 38,417	\$ 38,417
Other property owned	--	--	4,106	4,106

As of December 31, 2019	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Impaired loans	\$ --	\$ --	\$ 23,706	\$ 23,706
Other property owned	--	--	64	64

NOTE 16: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 1, 2022, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our 2021 Consolidated Financial Statements or disclosure in the Notes to Consolidated Financial Statements.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

Compeer Financial, ACA
(Unaudited)

Description of Business

General information regarding the business is incorporated herein by reference from Note 1 to the Consolidated Financial Statements in this Annual Report.

The description of significant business developments, if any, is incorporated herein by reference from the Management's Discussion and Analysis section of this Annual Report.

Description of Property

Property Information

Location	Description	Usage	Location	Description	Usage
Illinois			Wisconsin		
Aledo	Owned	Branch	Arcadia	Owned	Branch
Bloomington	Owned	Branch	Baldwin	Owned	Branch
Bloomington	Leased	Commercial Unit	Beaver Dam	Owned	Branch
Bourbonnais	Leased	Branch	Burlington	Owned	Branch
Carthage	Leased	Contact Office	Chilton	Owned	Branch
Edwards	Owned	Branch	Dodgeville	Owned	Branch
Freeport	Owned	Branch	Fond du Lac	Owned	Branch
Geneseo	Owned	Branch	Janesville	Owned	Branch
Macomb	Owned	Branch	Johnson Creek	Owned	Branch
Monmouth	Owned	Branch	Lancaster	Owned	Branch
Morton	Owned	Branch	Mondovi	Owned	Branch
Mt. Sterling	Leased	Contact Office	Monroe	Leased	Branch
Naperville	Leased	Branch	Plymouth	Owned	Branch
Oregon	Owned	Branch	Prairie du Sac	Owned	Branch
Ottawa	Owned	Branch	Rice Lake	Owned	Branch
Pontiac	Leased	Branch	Sparta	Owned	Branch
Princeton	Owned	Branch	Sun Prairie	Owned	Corporate Headquarters
Quincy	Owned	Branch	Viroqua	Leased	Branch
Rock Falls	Leased	Branch			
Sycamore	Leased	Branch			
Minnesota			Other		
Blue Earth	Leased	Branch	Boise, ID	Leased	Contact Office
Duluth	Leased	Contact Office	Des Moines, IA	Leased	Contact Office
Glencoe	Owned	Branch			
Lakeville	Owned	Branch			
Mankato	Owned	Branch			
Mankato	Leased	Corporate Facility			
Rochester	Leased	Branch			
St. Paul	Leased	Commercial Unit			
Waite Park	Owned	Branch			
Worthington	Leased	Branch/Contact Office			

Legal Proceedings

Information regarding legal proceedings is discussed in Note 13 to the Consolidated Financial Statements in this Annual Report. We were not subject to any enforcement actions as of December 31, 2021.

Description of Capital Structure

Information regarding our capital structure is discussed in Note 9 to the Consolidated Financial Statements in this Annual Report.

Description of Liabilities

Information regarding liabilities is discussed in Notes 7, 8, 9, 10, 11, and 13 to the Consolidated Financial Statements in this Annual Report. All debt and other liabilities in the financial statements are uninsured.

Selected Financial Data

The Consolidated Five-Year Summary of Selected Financial Data is presented at the beginning of this Annual Report.

Management's Discussion and Analysis

Information regarding any material aspects of our financial condition, changes in financial condition, and results of operations are discussed in the Management's Discussion and Analysis section of this Annual Report.

Board of Directors

Our Board of Directors is organized into the following committees to carry out Board responsibilities:

- The **Audit and Finance Committee** oversees financial reporting, the adequacy of our internal control systems, the scope of our internal audit program, the independence of the outside auditors, the processes for monitoring compliance with laws and regulations and the code of ethics. The Audit and Finance Committee also oversees the adequacy of management's actions with respect to recommendations arising from auditing activities.
- The **Compensation and Governance Committee** addresses issues of Board governance and the Board's continuing efforts to strengthen and renew the Board, administers a process for maintaining and periodically reviewing Board policies, oversees and provides overall direction and/or recommendations for compensation, benefits and human resource performance management programs.
- The **Enterprise Risk Committee** oversees the integration of risk management activities throughout our organization. Committee members review ongoing risk assessments of current and emerging risks to ensure adequate planning and resources are directed at managing the identified risks. The Committee also establishes and promotes an effective risk culture throughout our organization.

Board of Directors as of December 31, 2021, including business experience during the last five years

Name	Principal occupation, business experience, and other business affiliations
David Peters Chairperson Current Term: 2020 - 2024	Principal occupation: Self-employed wheat, soybean, and corn farmer Other business affiliations: Trustee: Manteno Township Fire Protection District
Stephanie Wise Vice Chairperson Current Term: 2021 - 2025	Principal occupation: Corn, soybean, and popcorn farming operation Owner: Gripp Farm Nutrients, LLC, agribusiness/fertilizer Owner: Bright Prairies, LLC, general merchandise Other business affiliations: Director: Farm Credit Foundations, a pension and benefits service provider
Akin Agar Outside Director Current Term: 2021 - 2025	Principal occupation: Self-employed technology executive and consultant Business experience: Chief Information Officer of VyStar Credit Union from December 2013 to November 2020 Other business affiliations: Director: Jacksonville Symphony Orchestra, non-profit President: AKLEA LLC, real estate rental
Ashley Ahl Current Term: 2021 - 2022	Principal occupation: Acting Managing Partner: Northern Family Farms, a Christmas tree and nursery farm Other business affiliations: Member: B&A Ventures LLC, apartment rentals President and Member: NFF Holdings LLC, apartment rentals and real estate group Trustee: Black River Falls Area Foundation, a community development organization Member: NFF Wetland Preserve LLC, a wetland mitigation organization Vice President: NCT Transport LLC, trucking President: Whitespire Hills LLC, a real estate development group Member: United States Department of Agriculture Christmas Tree Promotion Board's Promotion Committee
Rodney Bosma Current Term: 2019 - 2023	Principal occupation: Self-employed grain and livestock farmer
Ann Broome Outside Director Current Term: 2019 - 2023	Principal occupation: Self-employed Human Resources Consultant Other business affiliations: President: Sienna Group, Human Resources Consulting

Name	Principal occupation, business experience, and other business affiliations
Allyn Buhrow Current Term: 2019 - 2023	Principal occupation: Self-employed corn and soybean farmer and seed sales agent Other business affiliations: Vice Chair: Illinois Leadership Council for Agricultural Education, an advocacy council Treasurer: Lee County Farm Bureau, an advocacy council Member: Illinois Committee for Agricultural Education, an education advisory committee Director: AgriBank District Farm Credit Council, a trade association representing the AgriBank District
Mark Cade Current Term: 2020 - 2024	Principal occupation: Self-employed beef and grain farmer Owner: Windy Ridge Properties, LLC, rental properties
Kaye Compart Current Term: 2018 - 2022	Principal occupation: Self-employed swine and seedstock producer Other business affiliations: Director: Nicollet Area Community Foundation, Nicollet, MN, a fundraising organization
Dan Erickson Current Term: 2021 - 2025	Principal occupation: Self-employed grain farmer and custom heifer producer Other business affiliations: Director: AgriBank District Farm Credit Council, a trade association representing the AgriBank District
Tim Evert Current Term: 2019 - 2023	Principal occupation: President: Evert Farms, Inc., a custom heifer raising and crop farm Partner: United Dreams Dairy, LLC, a dairy farm
Larry Fischer Current Term: 2021 - 2025	Principal occupation: President: Fischer Dairy, a grain and beef farm President: Fischer Ridge, LLC, a land partnership
Dale Holmgren Current Term: 2020 - 2024	Principal occupation: Self-employed grain and livestock farmer Other business affiliations: President: Svin Hus, Inc., a swine operation
Greg Nelson Current Term: 2018 - 2022	Principal occupation: Self-employed grain and livestock farmer Other business affiliations: Director: AgriBank District Farm Credit Council, a trade association representing the AgriBank District
Roger Newell Current Term: 2018 - 2022	Principal occupation: Self-employed grain and livestock farmer Other business affiliations: Supervisor: Elba Township, government Trustee: Knox County South-Multi Township, government Director: Knox County Zoning Commission, government
Greg Pollesch, CPA Outside Director Current Term: 2019 - 2022	Principal occupation: Director: Galloway Company, a sweetened condensed milk and ice cream mix manufacturer Owner and Manager: 82 West LLC, real estate investment group Owner and Manager: GSP Associates LLC, a business consultation service provider Business experience: President: Galloway Company from April 2008 to November 2020 Other business affiliations: Member: 3Eleventures LLC, a business services provider Director: Wisconsin Dairy Producers Association, an industry trade group Director: Wisconsin Producer Security Fund, a trust fund
Kim Wedig Current Term: 2021 - 2025	Principal occupation: Self-employed grain, dairy, and cow-calf farmer

Typically each director's respective term ends following the fourth annual meeting after being elected, and until a successor is elected.

Pursuant to our bylaws, Directors are paid a reasonable amount for attendance at board meetings, committee meetings, or other special assignments. Directors are also reimbursed for reasonable expenses incurred in connection with such meetings or assignments. In 2021, the Board of Directors' per diem rate was \$515 per day plus travel time compensation for each meeting attended. The per diem rate was increased to \$535 per day, effective January 1, 2022. The Board of Directors regular monthly meetings are normally two days in length. In addition, they hold two, three-day planning sessions annually. In 2021, each Director received an \$1,800 per month retainer fee, with the exception of the Board chairperson who received a \$2,200 per month retainer fee and the Board vice chairperson and Board committee chairpersons who received a \$1,900 per month retainer fee. Effective January 1, 2022, the per month retainer fee was increased to \$1,850 for each Director, with the exception of the Board chairperson retainer which increased to \$2,300 per month, and the

Board vice chairperson and Board committee chairpersons retainers increasing to \$2,000 per month. Each Director is eligible for a variable retainer fee based on companywide financial and business objectives. The award is calculated as a percentage of the Director's annual per diem compensation. The performance criteria include return on equity, return on assets, operating revenue growth, average daily balance (ADB) growth, adverse assets to risk funds ratio, net operating rate, client satisfaction, and client loyalty. Under the terms of the plan, no payments are made in the event our return on equity or adverse assets to risk funds ratio fall outside specified threshold levels. The percentage used in the award calculation depends on the actual results for each performance criteria.

Information regarding compensation paid to each director who served during 2021 follows:

Name	Number of Days Served		Compensation Paid for Service on a Board Committee	Name of Committee	Total Compensation Paid in 2021 ¹
	Board Meetings	Other Official Activities			
Akin Agar	3	2	\$ 515	Enterprise Risk	\$ 7,466
Ashley Ahl	17	13	5,150	Audit and Finance	40,737
Rodney Bosma	17	19	2,575	Enterprise Risk	62,056
Ann Broome	18	11	2,060	Compensation and Governance	59,352
Allyn Buhrow	17	11	2,060	Compensation and Governance	54,860
Mark Cade	17	17	5,665	Audit and Finance	62,956
Kaye Compart	15	11	2,060	Enterprise Risk	55,533
Dan Erickson	17	22	2,575	Enterprise Risk	63,430
Tim Evert	17	14	2,060	Compensation and Governance	55,546
Larry Fischer	17	13	5,665	Audit and Finance	59,531
Kathleen Hainline ³	14	8	4,635	Audit and Finance	47,771
Dale Holmgren	17	18	2,575	Enterprise Risk	62,911
Lori Meinholz ²	0	0	--		9,076
Greg Nelson	17	20	2,575	Enterprise Risk	60,228
Roger Newell	17	18	5,665	Audit and Finance	64,048
David Peters	17	16	2,060	Enterprise Risk	59,575
Greg Pollesch	17	17	5,665	Audit and Finance	58,275
Kim Wedig	3	2	515	Compensation and Governance	6,799
Stephanie Wise	17	14	2,060	Compensation and Governance	56,280
Dan Zimmerman ³	14	13	1,545	Compensation and Governance	53,352
					<u>\$ 999,782</u>

¹ Compensation in 2021 includes tax fringe benefits, if applicable, and variable retainer earned during 2020 and paid in 2021.

² No longer on the Board as of December 31, 2020.

³ No longer on the Board as of December 31, 2021.

Senior Officers

Senior Officers as of December 31, 2021, including business experience during the last five years

Name and Position	Business experience and other business affiliations
Rod Hebrink President and Chief Executive Officer	Business experience: President and Chief Executive Officer since July 2017 President and Chief Executive Officer of AgStar Financial Services, ACA from July 2014 to June 2017 Other business affiliations: Board Member of SunStream Business Services, a technology and other business services provider Board Member of Farm Credit Foundations, a pension and benefits service provider Board Member of Minnesota AgriGrowth Council President of Rural Funding, LLC Executive Council Member of MBOLD, a coalition supporting Minnesota food and agriculture initiatives
Jase Wagner Chief Financial Officer	Business experience: Chief Financial Officer since July 2017 Senior Vice President and Chief Financial Officer of AgStar Financial Services, ACA from October 2014 to June 2017 Other business affiliations: Member: Farm Credit Foundations Pension Plan Trust Committee

Name and Position	Business experience and other business affiliations
Matt Ginder Chief Core Markets Officer	Business experience: Chief Core Markets Officer since July 2017 Executive Vice President - Marketplace Delivery of 1st Farm Credit Services, ACA from January 2010 to June 2017 Other business affiliations: Trustee on the Village Board of Goodfield, IL, government
Mark Greenwood Chief Diversified Markets Officer	Business experience: Chief Diversified Markets Officer since July 2017 Senior Vice President Relationship Management of AgStar Financial Services, ACA from May 2015 to June 2017 Other business affiliations: Treasurer and Secretary of Swine Health Information Center Board Member of GreenSeam, an organization focused on regional agricultural business development
John Hemstock Chief Talent and Technology Officer	Business experience: Chief Talent and Technology Officer since July 2017 Senior Vice President Talent and Business Technology Strategies of AgStar Financial Services, ACA from October 2014 to June 2017
Terry Hinds Chief Asset Quality and Assurance Officer	Business experience: Chief Asset Quality and Assurance Officer since January 2020 Chief Risk Officer from July 2017 to December 2019 Chief Lending Officer - Diversified Markets of 1st Farm Credit Services, ACA from May 2006 to June 2017 Other business affiliations: Board Member of Illinois Agri-Food Alliance, non-profit Committee Member of External Advisory Committee, University of Illinois Department of Agricultural and Consumer Economics
Paul Kohls Chief Lending Operations Officer and General Counsel	Business experience: Chief Lending Operations Officer and General Counsel since July 2017 Senior Vice President, General Counsel and Secretary of AgStar Financial Services, ACA from January 2012 to June 2017
John Monson Chief Mission and Marketing Officer	Business experience: Chief Mission and Marketing Officer since July 2017 Senior Vice President Marketplace Strategies of AgStar Financial Services, ACA from October 2014 to June 2017
Bill Moore Chief Risk Officer	Business experience: Chief Risk Officer since January 2020 Vice President Portfolio Risk Management from July 2017 to December 2019 Vice President Asset Liability Management of AgStar Financial Services, ACA from June 2014 to June 2017 Other business affiliations: Advisory Board Member of CrowdLustro LLC, an online equity crowdfunding marketplace
Jerry Wiese Chief Information Officer	Business experience: Chief Information Officer since July 2017 Chief Information Officer, Vice President Information Technology of Badgerland Financial, ACA from September 2012 to June 2017

Rod Hebrink has announced his plans to retire from Compeer in January 2023. Our Board of Directors has formed a committee to lead the search for our next Chief Executive Officer. In addition, Mark Greenwood retired from Compeer on January 17, 2022, after 24 years with Farm Credit. Jim Roberge, who has 23 years of Farm Credit System experience in a variety of roles, has now joined Compeer as our new Chief Diversified Markets Officer.

Information related to compensation paid to senior officers is provided in our Annual Meeting Information Statement (AMIS). The AMIS is available for public inspection at our office.

Transactions with Senior Officers and Directors

Information regarding related party transactions is discussed in Note 12 to the Consolidated Financial Statements in this Annual Report.

Travel, Subsistence, and Other Related Expenses

Directors and senior officers are reimbursed for reasonable travel, subsistence, and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting us at:

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

The total directors' travel, subsistence, and other related expenses were \$173 thousand, \$182 thousand, and \$353 thousand in 2021, 2020, and 2019, respectively.

Involvement in Certain Legal Proceedings

No events occurred during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2022, or at any time during 2021.

Client Privacy

The FCA Regulations protect clients' nonpublic personal financial information. Our directors and employees are restricted from disclosing information about our Association or our clients not normally contained in published reports or press releases.

Relationship with Qualified Public Accountant

There were no changes in the independent auditors since the last Annual Report to stockholders and we are in agreement with the opinion expressed by the independent auditors. The total financial statement audit fees paid during 2021 were \$529 thousand. Our engagement letter commits to reimbursing the external auditor for reasonable out-of-pocket expenses as incurred for travel. In addition, we incurred \$8 thousand for tax compliance services. We also incurred \$155 thousand for work related to our preferred stock and subordinated debt issuances, which were pre-approved by the Audit Committee.

Financial Statements

The Report of Management, Report on Internal Control over Financial Reporting, Report of Audit Committee, Report of Independent Auditors, Consolidated Financial Statements, and Notes to Consolidated Financial Statements are presented prior to this portion of the Consolidated Financial Statements in this Annual Report.

Young, Beginning, and Small Farmers and Ranchers

Information regarding credit and services to young, beginning, and small farmers and ranchers, and producers or harvesters of aquatic products is discussed in an addendum to this Annual Report.

Equal Employment Opportunity

We are an equal opportunity employer. We are fully committed to and supportive of equal employment opportunity and diversity, and it's our belief all team members should be treated with dignity and respect. All human resource decisions and processes relating to Compeer team members and job applicants will be nondiscriminatory, conducted in an environment free of harassment or coercion, and without regard to race, color, sex, ancestry, creed, religion, national origin, age, disability status, marital status, familial status, sexual orientation, gender identity, pregnancy, public assistance status, current or former military member, genetic information, order of protection status, arrest and conviction record, use or non-use of lawful products, declining to attend a meeting about religious or political matters, or any other status protected by state or federal law. We are committed to recruiting, hiring, compensating, providing benefits, training, and promoting without regard to these factors.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

Compeer Financial, ACA

(Unaudited)

We have specific programs in place to serve the credit related needs of young, beginning and small farmers and ranchers (YBS) in our territory. The definitions of YBS as developed by the Farm Credit Administration (FCA) follow:

- Young: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.
- Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan transaction date.
- Small: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than \$250 thousand in annual gross sales of agricultural or aquatic products.

Young, Beginning, and Small (YBS) Farmer Demographics

Using the 2017 United States Department of Agriculture Ag census as the source for demographic data, there are approximately 123,000 farms in the Compeer Financial, ACA (Compeer) territory. Of those, 12.6% are young farmers, 24.6% are beginning farmers, and 81.3% are small farmers.

Mission Statement

Our YBS program is essential to our mission of enriching agriculture and rural America by making financing programs and financial services available to the YBS farmers who represent the future of agriculture in Illinois, Minnesota, and Wisconsin. Providing financing programs, financial services, educational opportunities and outreach programs to this segment helps ensure the next generation of farmers is successful.

2021 YBS Highlights

Compeer's YBS lending program consists of special loan pricing and flexible underwriting standards. Loan programs include:

- Special loan pricing – available to YBS farmers to be utilized with or without one of the following programs:
- Starter loan program
- Finish barn loan program
- Broiler barn loan program
- Character loan program

In addition to the lending program, a "Beginning with Compeer" grant program is also made available to beginning farmers within the Compeer territory. The third branch of the YBS program is education and outreach.

A key component of education and outreach is allowing for the direct input of YBS farmers to influence the program. An external advisory group is in place, which is made up of 20 clients throughout the Compeer territory. The Advisory Group met once in-person and once virtually in 2021 to discuss the program, changes and challenges facing the industry, and the specific needs of this market segment. The input from this group has helped steer the direction of the program and influenced educational opportunity decisions.

In addition to the client advisory group, there is also an internal Compeer committee tasked with overseeing the program. This committee is made up of a combination of Board members and team members across the organization to ensure the needs of the client are being considered from all angles. This committee meets quarterly and is also represented at the client advisory group meetings.

Additional aspects of education and outreach include our flagship YBS event, the Groundbreakers conference. This is a two-day conference that features exceptional speakers and educational topics on farm management, financial management, industry expertise, and other important topics affecting young, beginning, and small farmers. Various other educational opportunities are offered in the form of in-person events, webinars, and other content.

The program also has a strong emphasis on outreach to farmers operating in local and regional food systems ("Emerging Markets"), minority farmers, and military veterans who are becoming farmers after completing their military service.

Compeer is continuing its commitment to support rural youth in our territory through individual scholarships as well as sponsorships of 4-H, Future Farmers of America, Ag in the Classroom programs, farm conferences, and numerous other activities.

Quantitative Goals

2021 Results

(dollars in millions)

	Total Number of Loans		Total Volume of Loans		Total Number of New Loans		Total Volume of New Loans	
	#	%	\$	%	#	%	\$	%
Young Farmers	16,025	20.9%	3,651	12.3%	5,594	19.2%	1,371	11.2%
Beginning Farmers	21,983	28.7%	5,704	19.2%	7,490	25.8%	2,288	18.7%
Small Farmers	34,751	45.4%	5,204	17.5%	12,840	44.1%	1,781	14.5%

2021 Actual vs. Goals

	Total Number of Loans		Total Volume of Loans		Total Number of New Loans		Total Volume of New Loans	
	Actual	Goal	Actual	Goal	Actual	Goal	Actual	Goal
Young Farmers	20.9%	19.8%	12.3%	14.5%	19.2%	18.3%	11.2%	11.8%
Beginning Farmers	28.7%	26.0%	19.2%	20.5%	25.8%	23.0%	18.7%	17.2%
Small Farmers	45.4%	44.5%	17.5%	19.3%	44.1%	40.5%	14.5%	14.3%

Safety and Soundness of Program

The Association's Young, Beginning, and Small Farmer program has established standards and guidelines to provide for extension of sound and constructive credit, consistent with our business objectives. The program has also established lending limits for new loan extension under the program and should the Association's credit quality fall below minimum guidelines, the program calls for the Board of Directors to review the program for changes or possible suspension. At this time the Association's credit quality is well above minimum guidelines outlined in the program.

FUNDS HELD PROGRAM

Compeer Financial, ACA

(Unaudited)

Purpose

Compeer Financial, ACA (the Association) offers a Funds Held Program (Funds Held) that provides certain borrowers with the opportunity to make advance payments on designated loans in compliance with the Farm Credit Administration (FCA) Regulation 614.4175.

Objective

The Association offers this program for the benefit and convenience of borrowers who desire to make advance payments.

The following terms and conditions apply to all Funds Held unless the loan agreement or related documents between the Association and client provide for other limitations. The Association may change these terms and conditions at any time by providing prior notice to affected clients.

Advance Payment Application

Advance payments received on a loan participating in Funds Held before the loan has been billed will normally be placed in Funds Held as of the date received, to be applied against the next installment or other related charges on the installment due date. This is subject to any rights that we may have to apply such payments in a different manner as specified in loan documents governing designated loans.

Payments received on a loan participating in Funds Held after the loan has been billed will be directly applied to the installment due on the loan or other related charges and will not earn interest.

If a special prepayment of principal is desired, Borrowers must so specify at the time funds are remitted.

Funds Held may not exceed the outstanding balance on the related loan(s), and may be limited by prepayment or other restrictions.

Interest on Funds Held

Interest will accrue on Funds Held at a rate determined by the Association, but the rate may never exceed the interest rate charged on the related loan. Interest on Funds Held (exclusive of funds applied directly to billed amounts) will normally accrue from the date of receipt of the funds until the date the funds are applied to the loan against an installment due or other related charges. The Association may change the interest rate from time to time, and may provide for a different interest rate for different categories of loans. Currently, funds in the account earn a rate of interest equal to 3.0% less than the loan rate.

Withdrawal of Funds

Funds in a funds held account may be withdrawn or transferred, upon request, on one or more occasions by any party authorized to withdraw funds from the account for an eligible loan purpose in lieu of increasing the client's loan. Withdrawals from funds held is limited to 24 withdrawals per year. The minimum withdrawal amount is the lesser of \$100 or the remaining balance. Upon death of a client who has funds held balances, the Association does not set up death beneficiaries or "payable on death" designations to distribute funds held balances.

Uninsured Account and Liquidation

Funds Held is not a depository account and is not insured. In the event of Association liquidation, all borrowers having funds in Funds Held shall be notified in accordance with FCA Regulation 627.2735. The notice shall advise that the funds ceased earning interest when the receivership was instituted, and the funds will be applied against the outstanding indebtedness of any loans of such borrower unless, within 15 days of such notice, the borrower directs the receiver to otherwise apply such funds in the manner provided for in existing loan documents.

Termination


If we terminate Funds Held, account balances will be applied to the loan balance, and any remaining excess funds will be refunded to the Borrower.



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

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



 Compeer Financial, ACA is an Equal Credit Opportunity Lender and
Equal Opportunity Provider and Employer. ©2022 All rights reserved.