The

STRENGTH

of RURAL AMERICA

2020 ANNUAL REPORT

COMPEER FINANCIAL

CONTENTS

The STRENGTH of RURAL AMERICA

It's no secret that 2020 brought tremendous challenges to the world and our nation, families and professions.

The agriculture industry and rural America were no exception, facing obstacles that took center stage in the midst of the global pandemic. But, as agriculture and rural America have done so many times in the past, **you stepped up**.

Though it wasn't always easy, you showed the world the **strength of rural America** and the **resilience**, **perseverance** and **ingenuity** it takes to tackle a seemingly insurmountable challenge head-on.

Compeer Financial® is proud to do more than finance the aspirations of the men and women working in agriculture. We also provide expertise and guidance to those who need it – and this was truer than ever in 2020. **Clients looked to us** not only for financial services, but also for reliable information and insight on happenings in the industry, the impacts of legislative decisions and direction on navigating economic conditions.

Compeer Financial exists to serve agriculture and rural America in times like this.

We're a cooperative that's proud to partner with our member-owners. Your strength and resilience motivate us to be innovative so our services are always relevant, even in an ever-evolving environment.

2020 certainly was a year of adaptation and change for everyone – but Compeer's steadfast commitment to you, to enriching agriculture and to serving rural America has never been stronger.

STRENGTH in INNOVATIVE SOLUTIONS

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

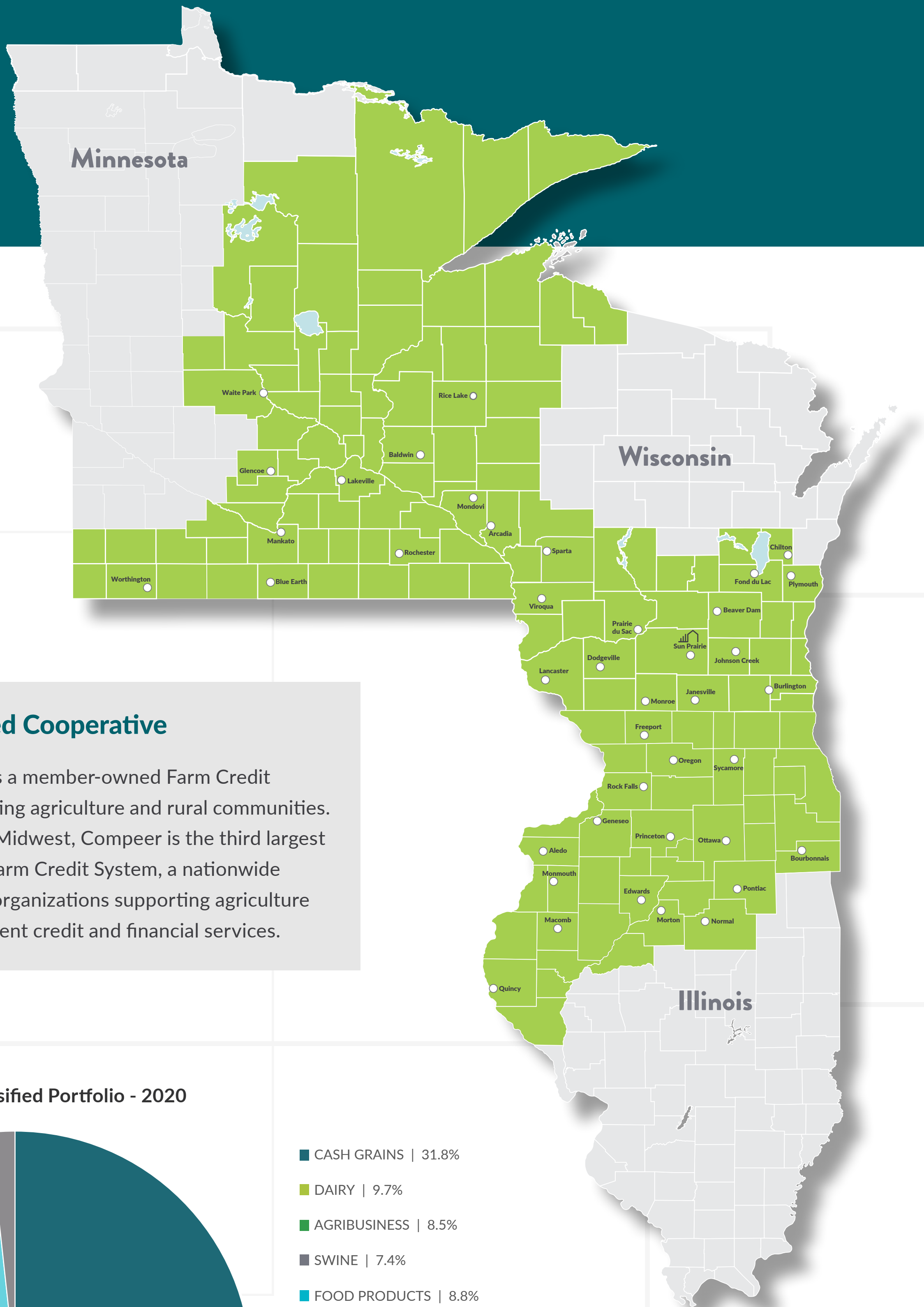
Continued learning and education are key components for success in agriculture. Compeer Financial offers a wide variety of events, webinars and educational tools with content tailored specifically to our clients and their operations. While many of Compeer's traditional in-person events moved to a virtual format in 2020, we added many new online webinars to keep clients abreast of the latest impacts of the pandemic, changing trends and guidance on navigating some of the challenges encountered in 2020.

MY Learning CLIENT•EDUCATION

Compeer Financial also provides robust educational opportunities in our MyLearning platform, where clients can find free customized videos, interactive modules and downloadable tools and worksheets. MyLearning programs are quick and easy, helping clients find the information they need to boost their farm business skills. Clients can access MyLearning within the MyCompeer portal.

LifeWorks Resource Program

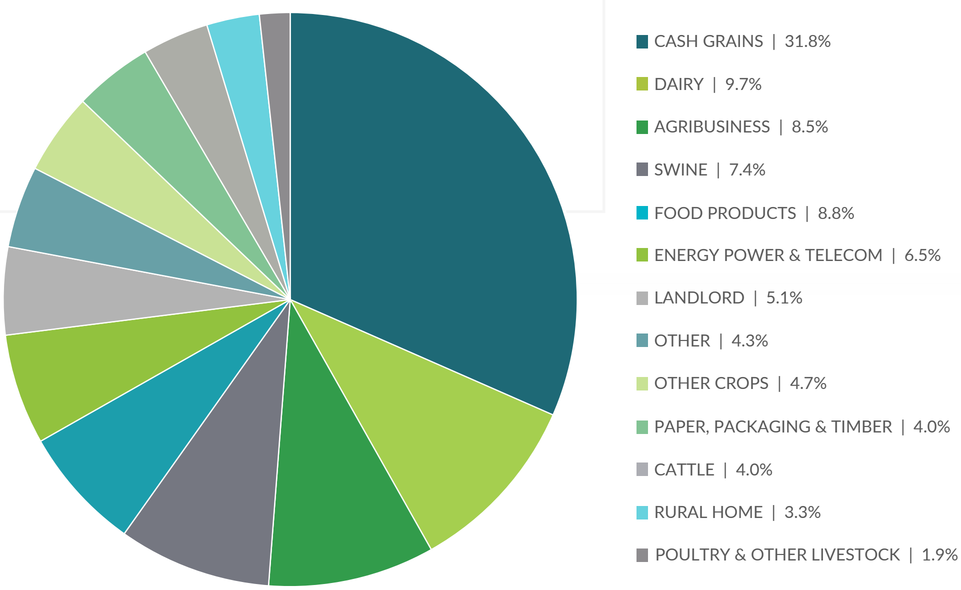
Life in agriculture and rural America isn't always easy – the challenges we face can feel overwhelming and stressful. Compeer Financial is pleased to provide our clients and their families access to our LifeWorks Resource Program. This free program confidentially connects clients with tools and resources to help them navigate challenges related to work, family, life and health – whether it's a quick question or a larger issue. Learn more at **compeer.com/resourceprogram**.



Member-Owned Cooperative

Compeer Financial is a member-owned Farm Credit cooperative supporting agriculture and rural communities. Based in the Upper Midwest, Compeer is the third largest cooperative in the Farm Credit System, a nationwide network of lending organizations supporting agriculture with reliable, consistent credit and financial services.

Compeer's Diversified Portfolio - 2020



STRENGTH in NUMBERS

Compeer Financial is committed to the cooperative model and the value it brings to our member-owners. Stability, security and growth fuel a future that offers success.

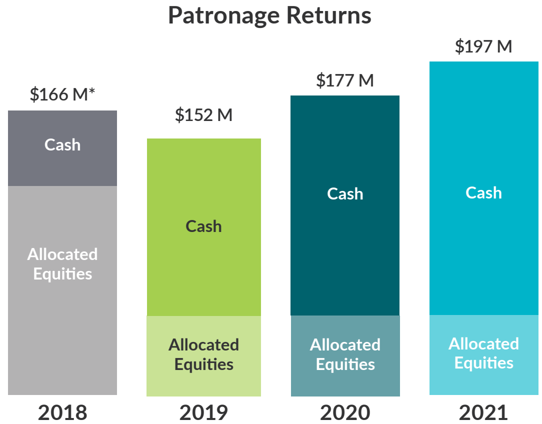
We've positioned the organization for continued progress with a diversified portfolio (see chart on page 5) that allows us to provide a wide array of financial options for operations of all sizes.

$24.9B FINANCIAL ASSETS

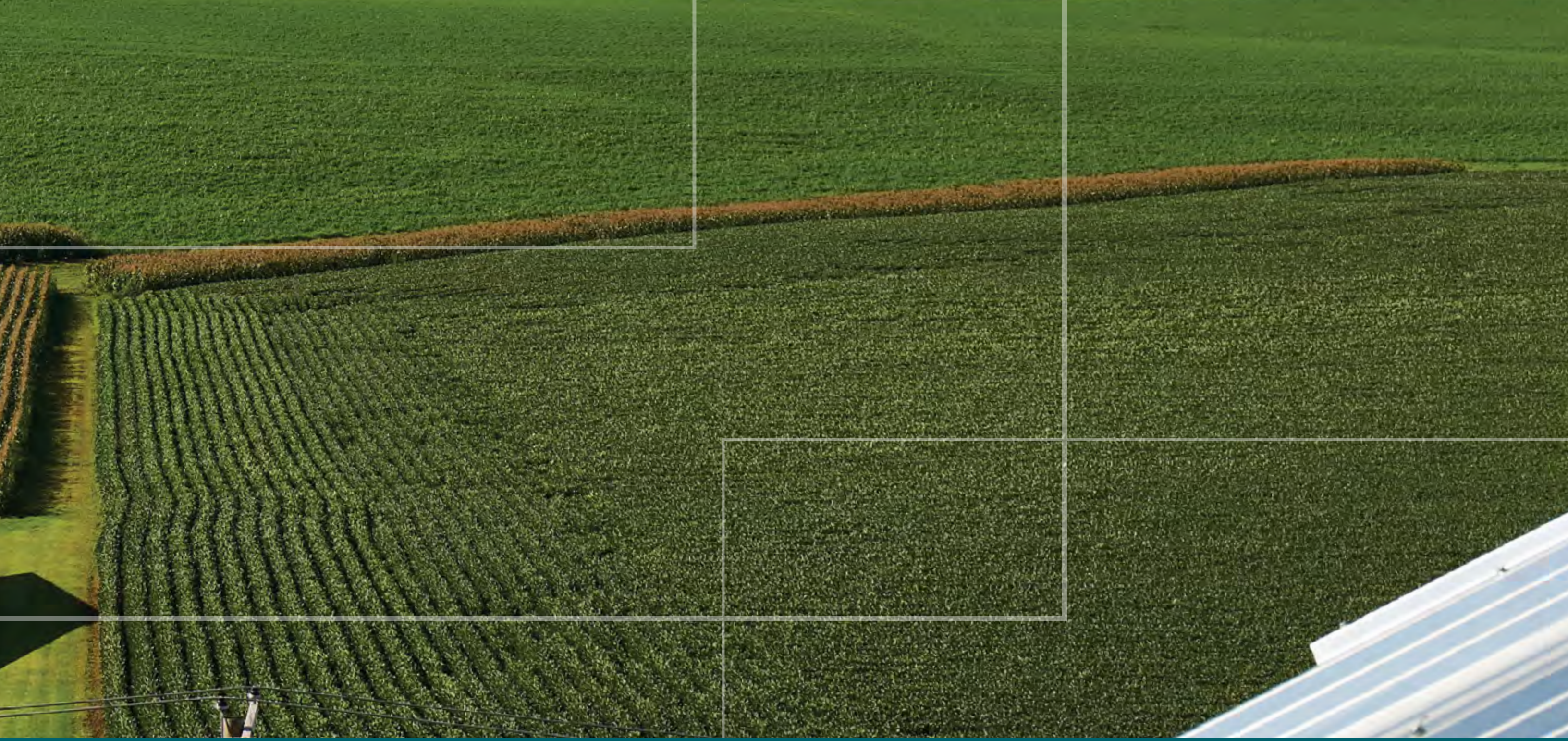
Compeer Financial grew total assets to $24.9 billion and increased total equity to $4.0 billion in 2020.

$177M PATRONAGE RETURNED

In 2020, Compeer Financial returned a total of $177 million in patronage. Member-owners received more than $52 million in allocated equity payments early in the year and received cash patronage payments of more than $125 million in the summer. Compeer Financial expects to return $197 million in patronage in 2021.



**2018 patronage returns include a one-time additional distribution of approximately $75M in allocated equities.*



1%
of earnings

GIVING BACK TO RURAL AMERICA

Working through its Fund for Rural America, Compeer Financial allocated 1% of net income to giving – supporting agriculture and rural America through grants, scholarships and annual commitments. Our giving also focuses on furthering diversity in agriculture, providing support for young and beginning farmers, military veterans, minority farmers, women in ag, and farmers with disabilities.

In 2020, the Fund prioritized philanthropic efforts for initiatives related to COVID-19 relief across Compeer's territory. These include donations to local community foundations for emergency and disaster response efforts, grants for local organizations and first responders, support for regional foodbanks, donations to rural healthcare facilities and more.

71,265
MEMBER-OWNERS

1,300
TEAM MEMBERS

STRENGTH in LEADERSHIP

BOARD OF DIRECTORS

The member-owners of Compeer Financial are represented by 17 directors – 14 of whom are elected and 3 who are appointed. The directors represent various types of farming operations, agriculture 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.


ASHLEY AHL*


RODNEY BOSMA


ANN BROOME


ALLYN BUHROW

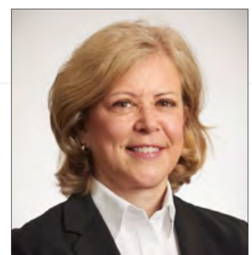

MARK CADE


KAYE COMPART

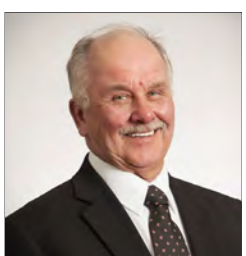

DAN ERICKSON

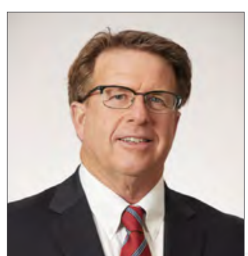

TIM EVERT

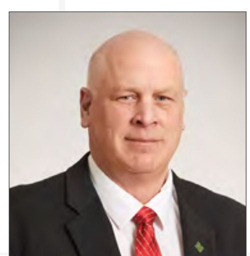

LARRY FISCHER


KATHLEEN HAINLINE


DALE HOLMGREN


GREG NELSON


ROGER NEWELL


DAVID PETERS


GREG POLLESCH


STEPHANIE WISE

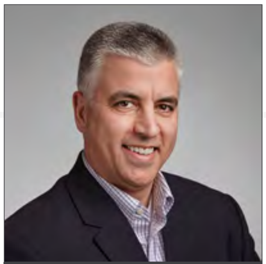

DAN ZIMMERMAN

Appointed in January 2021 to fill a stockholder director vacancy

EXECUTIVE LEADERSHIP TEAM

ROD HEBRINK
President & CEO

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.



MATT GINDER
Chief Core Markets Officer

MARK GREENWOOD
Chief Diversified 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

JASE WAGNER
Chief Financial Officer

JERRY WIESE
Chief Information Officer

DELIVERING DURING the PANDEMIC

In 2020, COVID-19's impacts spanned the globe, leaving nothing untouched — including the agriculture industry and rural America. The pandemic closed schools and businesses, impacted health care and disrupted food supply chains, creating a new and fast-changing set of circumstances. At Compeer Financial, we committed to helping our clients through it all. Assisting our clients navigate the economic environment to optimize their outcomes was an initiative Compeer took on in 2020. That meant proactively working with clients to preserve what they have and plan for the future.

In the midst of transitioning the entire Compeer team to working remotely in March 2020, we prioritized the continuation of normal business operations and money movement. And, as agriculture and rural America began facing the unknown, Compeer worked closely with our clients to find personalized solutions. We looked at business practices and plans for the future and found

2020 TIMELINE

JAN

January 20
First U.S. COVID-19 case detected in Washington State

FEB

February 3
Compeer Board of Directors and team members discuss economic conditions in agriculture with members of Congress in Washington, D.C.

February 4
Compeer distributes $52 million in planned patronage payments

MAR

March 5
COVID-19 reaches all three states in Compeer's territory

March 13
Compeer cancels all in-person events

March 18
Compeer closes all offices; team members to serve clients from home

Pork Industry Outlook meeting marks first of many events to go virtual

March 23
Compeer announces donation to rural healthcare facilities

March 27
CARES Act Passes

March 31
Compeer goes live on Facebook to give regular updates on impacts to agriculture

APR

All Month
Facebook Lives and client webinars continue

April 5
Compeer accepts first PPP applications

April 8
Compeer announces $830K in funding for organizations and community partners supporting COVID-19 relief

Client webinar series replaces in-person educational events

April 17
USDA announces Coronavirus Food Assistance Program (CFAP)

MAY

All Month
Facebook Lives and webinars continue

May 14
Compeer hosts webinar to update congressional staff on impacts of COVID-19 on local ag producers

May 26
CFAP opens for applications

new options for those facing seemingly insurmountable obstacles. Deferred and interest-only payments, conversions to lower rates and more gave clients the necessary flexibility to adjust their businesses in response to the market conditions.

In fact, in 2020, Compeer saved thousands of clients $40 million annually through loan conversions, converting more than 16,000 loans to lower rates, and reducing interest rates by 0.78% on average.

PAYCHECK PROTECTION PROGRAM

In April, the Small Business Administration opened the Paycheck Protection Program (PPP), a vital loan program to help small business owners – including farmers – keep employees on staff and production going.

In 2020, Compeer funded more than 3,000 PPP loans, totaling over $159 million. Over 75% of these loans were for smaller amounts of under $33,000.

"The Paycheck Protection Program has been vital for our clients in agriculture," President and CEO Rod Hebrink said. "From the start, Compeer has been laser-focused on making sure our clients could access the available funding to help continue their operations."

GOING VIRTUAL

Although our traditional in-person events were paused in the interest of health and safety, Compeer continued to share expertise in response to COVID-19's impacts on agriculture by going virtual.

"Things were changing so rapidly that we needed to keep clients updated with the latest information and provide guidance and expertise on how to handle this critical situation," Chief Diversified Markets Officer Mark Greenwood said.

Compeer quickly shifted to virtual offerings and created new ways of keeping clients informed. Our subject matter

(Continued on next page)

JUN

All Month
Facebook Lives and webinars continue

June 8
Some Compeer team members return to offices, serving clients by appointment

June 25
Compeer announces the Blue Ribbon Project Contest for 4-H and FFA members to showcase projects, despite the cancellation of county and state fairs

JUL

All Month
Facebook Lives and webinars continue

July 10
Compeer offices reopen, with safety guidelines and capacity limits in place

July 15
Income tax filing extended deadline

AUG

All Month
Facebook Lives and webinars continue

August 4
Compeer distributes $125 million in planned patronage payments

SEP

All Month
Facebook Lives and webinars continue

September 21
CFAP 2 program opens for applications

OCT

October 16
Compeer joins MBOLD, a coalition bringing together global leaders to address major challenges in the food and ag sectors, including food insecurity in the face of COVID-19

October 27
Compeer launches new Online Banking system for clients

NOV

November 23
Compeer offices move to appointment-only in response to increased case counts and to meet year-end needs

DEC

All Month
Upgrades to air filtration systems in all Compeer offices nearly complete

December 21
Additional relief for livestock producers and other ag-related assistance included in COVID-19 relief package passed by Congress

(Continued from previous page)

experts discussed a variety of important subjects via webinars and Facebook Live sessions.

"Our clients and team members were dealing with new challenges in their personal lives and facing uncertainty in the markets, but we were fortunate to be able to offer expertise and sound insights via our virtual events," Client Education Consultant Rebecca Binsfeld said. "We miss seeing our clients in person, but our priority still remains focused on bringing them accurate information to help guide decisions."

Compeer's virtual offerings featured internal and external subject matter experts who shared the latest information on everything from handling stressful times to how to develop a grain marketing plan. As agriculture and rural America continue to adjust to the changing environment, Compeer will keep our clients and the industry informed with virtual and hybrid events throughout 2021.

WHAT COMES NEXT

As the effects of the pandemic and its aftermath continue to affect our world, Compeer Financial remains committed to our clients and to rural America.

We continue to offer flexible solutions and individualized service to clients, as well as resources like ongoing education and the LifeWorks Resource Program. LifeWorks is a free service that privately connects Compeer clients with experienced professionals who can help with a variety of issues, including stress, mental health and family challenges.

"Compeer has always worked with our clients as they face challenges, and this ongoing situation is no different," Hebrink said. "The relationship between our clients and team members is the key to our cooperative, and those relationships continue to guide us as we look to the future."

PANDEMIC GIVING

In April 2020, Compeer committed $830,000 to support COVID-19 relief efforts across Illinois, Minnesota and Wisconsin through our Fund for Rural America and our Agriculture and Rural Initiative donor-advised fund. In a multi-faceted approach, we aimed to bolster the response efforts of local organizations and community partners through:

- Donations to local community foundations
- Grants for organizations and emergency response providers
- Funding for regional food banks
- Donations to rural health care facilities

"This pandemic disrupted jobs, impacted education, affected childcare and much more, creating some immediate needs in the communities we serve," Chief Mission and Marketing Officer John Monson said. "The care and compassion our team members have for the agriculture industry is unparalleled. We truly believe that, by working together, we can make a difference that matters now and as new challenges emerge."

STRENGTH of a DIVERSE PORTFOLIO

Beyond traditional farm financing, Compeer Financial provides a wide array of financial services to address the varied needs in agriculture and rural America. The result is a diversified portfolio that adds balance and brings stability during times of uncertainty. Diversity is a key strategy of our cooperative, allowing us to bring consistency to our stockholders. This was particularly evident in 2020. The year's unique combination of circumstances created extreme volatility for some sectors; while at the same time, other sectors found opportunity. Below we've highlighted some of the areas that helped stabilize our portfolio, ensuring Compeer's commitment to serving clients and rural communities remains as strong as ever.

RURAL LIVING SOLUTIONS

Compeer provides financial solutions for life in rural America, whether clients are building a rural home, purchasing a hobby farm, buying recreational land or refinancing.

Activity for Rural Living Solutions increased significantly in 2020. Lower interest rates drove more new home purchases and increased the number of clients refinancing their loans.

FOOD AND AGRIBUSINESS

Food and Agribusiness works to meet the needs of businesses that manufacture, market and distribute agricultural products and commercial producers with a wide variety of financing options.

This team understands the unique challenges and opportunities facing agribusinesses. In 2020, Compeer worked closely with our agribusiness clients to navigate the complexities brought by the pandemic.

EMERGING MARKETS

Emerging Markets provides non-traditional agricultural operations access to credit and other financial services that can be hard to come by for these unique farms and agribusinesses.

Outreach is focused on urban farms, minority farmers, value-added food processing, fresh fruits and vegetables, beekeeping, berry crops, tree nuts and more.

With traditional loans and financing to help farmers transition from conventional to organic production, Emerging Markets saw significant growth in the portfolio in 2020, helping the organization to drive revenue.

ONLINE BANKING

Compeer launched an enhanced Online Banking platform in 2020 – making it easier and more convenient for clients to manage their money online, no matter their level of comfort with technology.

Online Banking Features:

- Make Payments
- View Account Balances
- Transfer Funds
- View Statements
- Set Up Custom Alerts

compeer.com/onlinebanking

MODERNIZING the CLIENT EXPERIENCE

Meeting Client Needs Online with Digital Tools

Developing and launching new online tools in 2020 were already part of Compeer Financial's plan, but events over the course of the year underscored just how critical technology is to serving our clients.

Compeer's suite of online tools gives clients more options in how they do business with us, while providing convenience, security and flexibility. Our innovative and modern technologies were developed specifically with agriculture and rural America in mind – giving clients resources and tools so they can better manage their operations and finances. These digital solutions also create efficiencies for the team at Compeer Financial.

Compeer is committed to continuous enhancement and expansion of our digital offerings to ensure clients have access to progressive tools and relevant technologies, backed by an experienced team they trust.

ONLINE BALANCE SHEETS

In 2020, Compeer launched a new Online Balance Sheet Tool that's interactive, user-friendly and easy to understand.

By logging in to MyCompeer and clicking Balance Sheets under the Tools & Forms menu, clients can get started in just minutes.

Simply enter assets and liabilities and the tool does all of the calculations! Once calculations are finalized, clients can submit the balance sheet electronically to Compeer.

Creating a balance sheet has never been easier!

MOBILE BANKING

Compeer launched its new Mobile Banking app in 2020, putting the highest priority on security and usability. Clients can easily manage money on a mobile device – anytime and anywhere.

Mobile Banking Features:

- Deposit Checks Remotely
- Transfer Funds
- Instantly View Balances
- View Account History
- Access Securely and Quickly with Touch ID and Facial Recognition

compeer.com/onlinebanking

MYCOMPEER

MyCompeer is a portal that allows clients to access their financial information, utilize robust financial tools and view important resources.

MyCompeer Features:

- View Account Information
- View Crop Insurance Documents
- Securely Share Documents with Compeer
- Create an Online Balance Sheet
- Renew Operating Loans (qualifying loans only)
- Calculate Interest Due and Payoff Amounts

compeer.com/onlineservices

ONLINE RENEWALS

Clients get flexibility when it comes to renewing operating loans and crop insurance policies with Compeer – including new options to renew online.

Operating Loan Renewals

Some operating loans are eligible to be renewed in just minutes online, saving clients time and making it easy. Eligible clients will receive a notification from Compeer, along with directions on how to renew their operating loans in the MyCompeer portal.

Crop Insurance Renewals

Certain crop insurance policies are also eligible for online renewal with our fast and easy process; it only takes a few clicks. Eligible clients will receive a notification from Compeer with directions on how to renew their policy online.

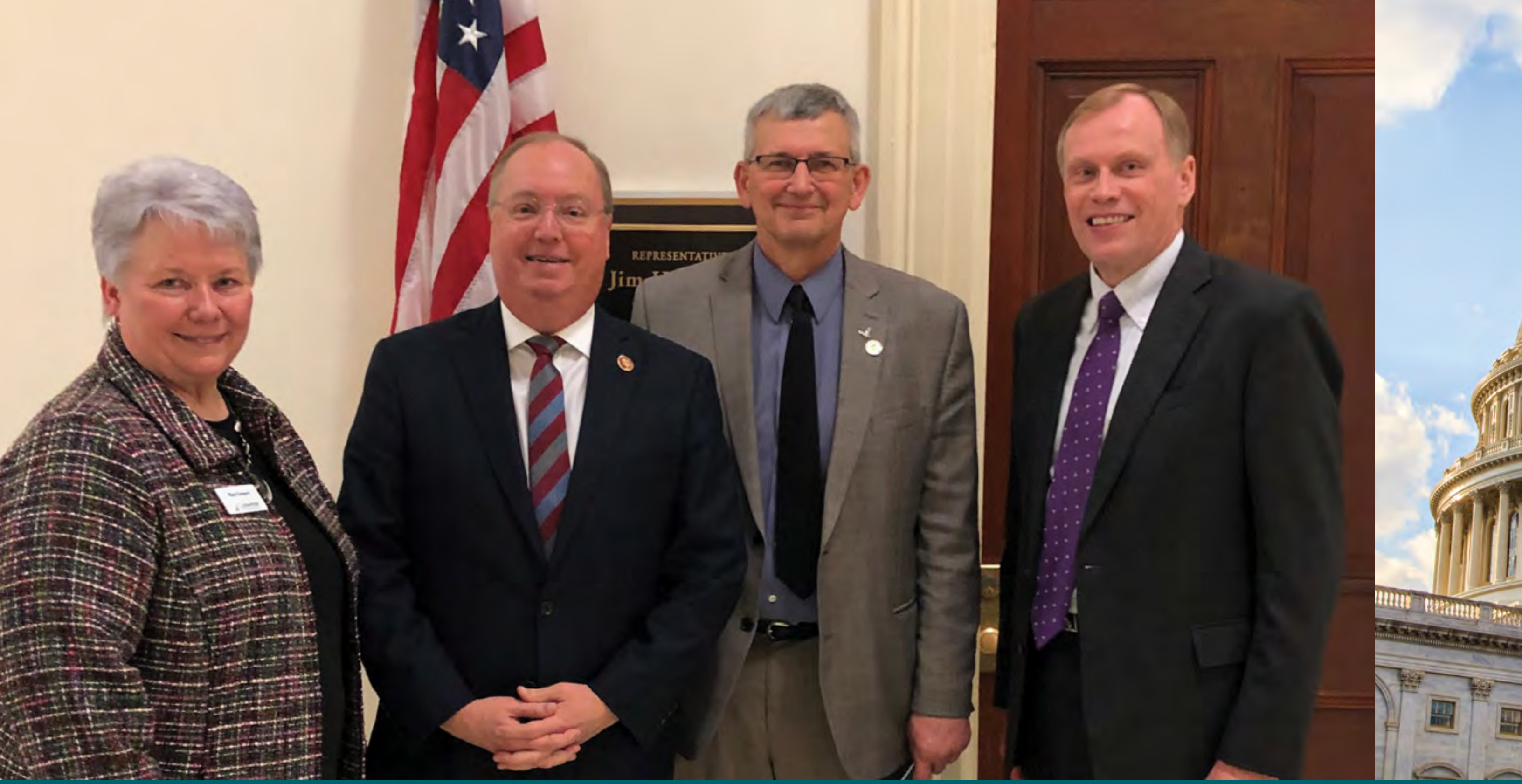
MYLEARNING

Compeer Financial clients get the added benefit of extensive educational programming through our MyLearning portal. The exclusive online programming is available on demand and is located by clicking Education within the MyCompeer portal.

MyLearning Features:

- Exclusive Videos
- Interactive Modules
- Worksheets
- Templates
- Tools and Resources

compeer.com/onlineservices



CHAMPIONING AG at the CAPITOL

Advocating for agriculture in D.C. and at home

As a member-owned cooperative, Compeer Financial strives to bring positive change to the people living and working in rural America through our legislative efforts. In 2020, our commitment was stronger than ever as we worked to find solutions for our member-owners facing great challenges in the midst of COVID-19 and the global pandemic.

By the time the pandemic reached the United States, Compeer was already in contact with congressional leaders from our region, discussing trade disruptions and the economic conditions facing our clients. A delegation from Compeer Financial, including board members and leaders, traveled to Washington, D.C., in early 2020 to kick off this discussion, and after travel restrictions took effect, we maintained regular communication with key members of Congress and their staff.

A key focus of these efforts was the impact on livestock processing, which prevented many pork producers and others from delivering their animals to market. We shared stories about our clients' challenges, explaining the tough emotional and economic decisions livestock producers were having to make while facing lost income.

Shortly after Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES) in the spring of 2020, Compeer Financial worked directly with members of our congressional delegation to ensure our clients and other business owners could quickly access the Paycheck Protection Program (PPP). Through this program, Compeer was able to provide critical financial assistance to many of our clients impacted by COVID-19.

As the year went on, Compeer advocated with members of Congress for more COVID-related relief for farmers, especially indemnity assistance for livestock producers. In July, Compeer Financial President and CEO Rod Hebrink and other members of our executive leadership team shared our clients' experiences in a webinar we hosted exclusively for congressional staff. We were pleased that the voices of our clients and rural America were heard when Congress approved more aid for livestock producers and other

agriculture-related assistance toward the end of 2020.

The impacts of COVID-19 extended beyond our farming and agribusiness clients and into the rural communities we serve. Recognizing this, Compeer Financial partnered with the Farm Credit Council for another congressional webinar, focused on the economic viability of rural health care providers and the need for new investments in rural infrastructure like broadband. In 2020, Compeer also joined the American Connection Project Broadband Coalition to advocate for rural broadband funding from Congress.

As we move into 2021 and a new legislative landscape, Compeer Financial remains committed to advocating for positive legislative changes that will benefit our clients in agriculture and rural America.

Above left: Kaye Compart (Compeer Board); Congressman Jim Hagedorn (R-MN-1); Larry Fischer (Compeer Board); and Rod Hebrink (Compeer) pose for a photo after their meeting in Washington, D.C. on February 3, 2020, to discuss economic conditions facing farmers. Above right: Paul Kohls (Compeer); Congressman Tom Emmer (R-MN-6); Dan Erickson (Compeer Board); and Ann Broome (Compeer Board) also met during Compeer's February 2020 visit to Washington, D.C.

LEGISLATIVE EFFORTS at the STATE LEVEL

Compeer's legislative affairs efforts also extended to the state capitols in our territory.

Board members met with state legislators and agriculture department leaders from Illinois, Minnesota and Wisconsin to advocate for agriculture.

Team members also testified before state legislative agriculture committees in St. Paul, Minn., and Madison, Wis.

In Minnesota, Compeer worked with a coalition of agriculture and business organizations in securing full Section 179 tax conformity, providing important tax relief for our farming clients.

Dear Member-Owners,

By any measure, 2020 was a unique year. The immense challenges we faced at work, at home, in agriculture and in rural America weren't easy. But through it all, the resiliency, perseverance and strength of rural America shined through. Working together, we overcame many obstacles and adjusted approaches so those working and living in rural America could achieve their goals.

ADJUSTING TO A PANDEMIC

We started the year with aspirations that were upended just weeks in, as increasing news around COVID-19 turned our attention to our business continuity plans. The team at Compeer Financial quickly modified how and where they worked in response to the pandemic, focused entirely on serving the immediate needs of our member-owners, while keeping health and safety top priorities.

While our team relied on technology to work from home for much of 2020, we also relied on technology to serve you. We utilized many of the digital tools we already had in place, like MyCompeer and virtual meetings, and launched some major enhancements to our Online Banking and Mobile Banking systems to give you even more options in doing business with Compeer.

Our clients in agriculture faced unique volatility in 2020. With so much uncertainty on many fronts, Compeer remained committed to supporting our clients during this crisis. One of our greatest strengths is the expertise of our team members – from phone calls and virtual meetings to informational webinars, the team's expertise was critical in helping clients understand the economic and legislative environments and how to best move forward. Additionally, Compeer Financial was proud to be one of the first Farm Credit Associations to offer the Paycheck Protection Program to clients, completing the most PPP loans in the Farm Credit System.

Our mission at Compeer Financial is to enrich agriculture and rural America – and even in the hardest days of the pandemic, our commitment to that never wavered.

2020 RESULTS

The COVID-19 pandemic significantly impacted all economic sectors, including agriculture. While it may still feel like volatility is at our doorstep, many sectors in agriculture have adjusted to the new landscape and found stability.

Because of Compeer's diverse credit portfolio and our careful risk management, the cooperative ended 2020 in a solid position. We grew by over $2.7 billion, with assets now totaling $24.9 billion. Furthermore, overall credit quality remained strong, despite the less-than-ideal conditions that affected many of the industries we serve.

SERVING OUR MEMBER-OWNERS

Our financial strength means we're able to continue our legacy of giving back to our member-owners.

In 2021, Compeer Financial is increasing patronage payments by $20 million and will be returning a total of $197 million this year. It's the third consecutive year our Board of Directors increased patronage returns. By the end of 2021, we'll have given back more than $690 million in patronage to our member-owners since Compeer was formed in 2017.

Our philanthropic efforts shifted priority in 2020, with a focus on supporting COVID-19 relief efforts in rural America. Compeer committed more than $830,000 for those on the frontlines, including emergency response providers, foodbanks and rural health care facilities.

This year, we also announced our commitment of $1.9 million in grants and scholarships over the next five years to 30 post-secondary colleges. We've heard directly from clients the shortage of skilled workers is an ongoing challenge, so Compeer is putting significant support behind an effort to make vocational agriculture education programs more accessible to young adults.

LOOKING TO THE FUTURE

Many lessons were learned in 2020. And despite the challenges presented to us, we are looking to capitalize and embrace some of the great outcomes we saw. We are committed to continued development of our digital tools for clients, to deepening our partnerships with member-owners, to creating a diverse and inclusive workforce, and to incorporating innovative and creative ideas into our organization that help to position our clients for continued success.

In an extraordinary year, the strength of rural America endured. On behalf of the entire Compeer team, thank you for allowing us to serve you. We have the deepest gratitude for the work you do to provide food, fiber and fuel to the world.

Sincerely,

Rod Hebrink, President and CEO

Dale Holmgren, Chairperson of the Board

2020 FINANCIAL REPORT

COMPEER FINANCIAL®

TABLE OF CONTENTS

Compeer Financial, ACA

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Compeer Financial, ACA

(dollars in thousands)

As of December 31	2020	2019	2018	2017	2016
Consolidated Statement of Condition Data					
Loans held to maturity	**$ 22,585,104**	$ 19,903,565	$ 18,753,659	$ 17,749,021	$ 8,152,435
Allowance for loan losses	**89,157**	78,504	59,928	48,849	36,018
Net loans held to maturity	**22,495,947**	19,825,061	18,693,731	17,700,172	8,116,417
Loans held for sale	**51,541**	27,807	18,496	30,062	27,370
Net loans	**22,547,488**	19,852,868	18,712,227	17,730,234	8,143,787
Unrestricted cash	**2,300**	2,300	2,300	2,200	2,200
Investment securities	**1,149,438**	1,172,537	995,140	879,258	473,248
Investment in AgriBank, FCB	**662,203**	623,330	567,596	514,712	180,812
Other assets	**580,842**	532,898	476,974	418,947	180,620
Total assets	**$ 24,942,271**	$ 22,183,933	$ 20,754,237	$ 19,545,351	$ 8,980,667
Obligations with maturities of one year or less	**$ 458,019**	$ 449,418	$ 413,132	$ 16,133,714	$ 7,665,199
Obligations with maturities greater than one year	**20,458,004**	17,927,105	16,739,126	--	--
Total liabilities	**20,916,023**	18,376,523	17,152,258	16,133,714	7,665,199
Preferred stock	**100,000**	100,000	100,000	100,000	100,000
Capital stock and participation certificates	**33,842**	32,737	33,062	34,213	15,934
Capital stock and participation certificates receivable	**(5,576)**	--	--	--	--
Additional paid-in capital	**1,780,603**	1,780,603	1,780,603	1,780,603	--
Allocated surplus	**321,115**	373,898	426,776	523,252	441,122
Unallocated surplus	**1,813,294**	1,531,824	1,272,556	980,818	758,412
Accumulated other comprehensive loss	**(17,030)**	(11,652)	(11,018)	(7,249)	--
Total equity	**4,026,248**	3,807,410	3,601,979	3,411,637	1,315,468
Total liabilities and equity	**$ 24,942,271**	$ 22,183,933	$ 20,754,237	$ 19,545,351	$ 8,980,667

For the year ended December 31	2020	2019	2018	2017	2016
Consolidated Statement of Income Data					
Net interest income	**$ 524,053**	$ 481,789	$ 474,567	$ 347,964	$ 206,793
Provision for loan losses	**27,894**	20,777	15,249	13,806	10,082
Other expenses, net	**56,267**	64,391	55,472	69,300	67,474
Net income	**$ 439,892**	$ 396,621	$ 403,846	$ 264,858	$ 129,237
Key Financial Ratios					
For the Year					
Return on average assets	**1.9%**	1.9%	2.0%	1.9%	1.5%
Return on average equity	**11.1%**	10.6%	11.5%	11.1%	10.1%
Net interest income as a percentage of average earning assets	**2.4%**	2.4%	2.5%	2.6%	2.5%
Net charge-offs as a percentage of average loans	**0.1%**	0.0%	0.0%	0.0%	0.0%
At Year End					
Equity as a percentage of total assets	**16.1%**	17.2%	17.4%	17.5%	14.6%
Allowance for loan losses as a percentage of loans	**0.4%**	0.4%	0.3%	0.3%	0.4%
Capital ratios effective beginning January 1, 2017:					
Common equity tier 1 ratio	**14.3%**	15.0%	14.7%	14.2%	N/A
Tier 1 capital ratio	**14.7%**	15.5%	15.2%	14.7%	N/A
Total capital ratio	**15.2%**	15.9%	15.6%	15.1%	N/A
Permanent capital ratio	**15.0%**	15.9%	15.7%	15.7%	N/A
Tier 1 leverage ratio	**14.8%**	15.4%	15.3%	15.0%	N/A
Capital ratios effective prior to 2017:					
Permanent capital ratio	**N/A**	N/A	N/A	N/A	14.1%
Total surplus ratio	**N/A**	N/A	N/A	N/A	14.0%
Core surplus ratio	**N/A**	N/A	N/A	N/A	12.1%
Net Income Distributed					
For the Year					
Patronage distributions:[1]					
Cash	**$ 125,000**	$ 99,142	$ 47,728	$ --	$ --
Redemption of allocated surplus	**52,000**	52,436	118,561	25,847	32,168
Allocated surplus	**--**	--	--	28,570	67,070
Other distributions	**6,198**	5,007	1,562	1,296	868
Preferred stock dividends	**6,750**	6,750	6,750	6,750	6,750
Other					
Pool program loans serviced for AgriBank, FCB	**1,767,208**	1,968,256	2,088,888	1,807,402	221,582

[1]Additional information regarding the patronage programs is included in Note 8 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 at December 31, 2020, 2019, 2018, and 2017. 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, 2021, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 67 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. These risks and uncertainties include, but are not limited to:

- Political (including trade and environmental policies), legal, regulatory, financial markets, and economic 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
- Credit, interest rate, and liquidity risks inherent in our lending activities
- 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

The spread of COVID-19 has created a global public-health crisis that has stifled the world-wide economy, created disruptions in liquidity in fixed income and equity markets, significantly increased unemployment levels and scrambled global supply and demand chains. Unprecedented actions are being taken by governments, businesses, and individuals to slow or contain the spread of COVID-19.

The extent to which the COVID-19 pandemic continues to impact Compeer will depend on future developments that are highly uncertain and cannot be predicted, such as the duration, extent, and severity of the pandemic, the continued response by the U.S. government and how quickly "normal" daily activities resume. Despite volatility and uncertainty in the market, Compeer has weathered the significant challenges presented by the current operating environment. Our business continuity response has allowed us to continue to serve our mission, and the remote work environment has allowed us to continue to maintain the health of our employees and operate without loss of key functions due to illness. We have not had any significant changes to internal controls over financial reporting due to working remotely.

Industries across nearly all economic sectors, including agriculture, were in unchartered territory throughout 2020 due to the pandemic. While U.S. agriculture was appropriately deemed "essential" to the country and a national asset, the sector was not immune to wildly fluctuating markets caused by a reduction in food service demand, idling of processing plants, and reduced travel. The overall impact of COVID-19 on U.S. agriculture will depend on the severity and duration of the outbreak.

AGRICULTURAL AND ECONOMIC CONDITIONS

Despite a significant increase in volatility due to the COVID-19 pandemic, 2020 finished as a good year for the U.S. agriculture sector and the American farmer. Coordinated efforts kept the flow of agricultural goods moving and safe, and the U.S. government passed legislation providing material economic support to the American farmer. Specific to Compeer, as the year evolved, the solid position of the portfolio, and our clients, allowed each to weather the immediate virus-fueled volatility and also take advantage of the opportunities that were presented in the latter part of the year.

The diversity of the Compeer credit portfolio spans production agriculture, processing, rural infrastructure, and related industries. The impact of the virus across these agricultural industries is varied. Orders and guidance aimed at reducing the virus spread limited gasoline and ethanol demand, the latter of which uses domestic corn production as its primary input. Demand for food, however, remained resilient, despite the necessary adjustments in the channels in which it is delivered. Sales of food eaten in the home have risen substantially, and, but for a few instances, the supply chain to grocery outlets remained intact. On the other hand, the food services industry experienced a significant decline with the widespread closure, and inconsistent re-opening, of restaurants and schools, and cancelation of events. Products that rely heavily on food services, such as bacon or fluid milk, were disproportionately affected. While there was an adjustment period, processing facilities have largely adapted to the realities of the virus, and industries adjusted to "new normal" operating procedures, supply chains, and distribution, in order to supply products to end users.

Compeer generates a significant portion of its income from the grain, dairy, and swine sectors of production agriculture. Each industry initially faced significant headwinds in the early days of the pandemic's impact, but all have subsequently adapted logistics, experiencing significant market stabilization over the second half of the year. With this stabilization, conditions have improved, prices recovered, and forecasts remain favorable, but fragile.

In the January 2021 World Agricultural Supply and Demand Estimate (WASDE), the United States Department of Agriculture (USDA) lowered the forecast for 2020 corn production. Tighter supplies have led to strong grain price increases. When coupled with supply-side adjustments, the strong price increases were a fairly bullish indicator to the market, and the USDA revised its seasonal average price expectation for corn to $4.20 per bushel. Actual production of soybeans was also slightly less than previous forecasts. Combined with the agency raising the expected export forecast to record levels, these revisions resulted in a substantial increase in expected seasonal average price, to $11.15 per bushel. For both crops, strong expected export activity, combined with lower revisions to actual production, has driven ending stocks lower, significantly improving expected producer returns.

The onset of the pandemic created significant volatility in the dairy markets, yet reimagined supply logistics allowed for a relatively quick recovery and resumption of solid returns to producers. Overall, profitable margins rebounded by early summer due to strength in the cheese market and government food programs aimed to assist families. While school demand remains sensitive and widely unknown, and the future of government program buying is unclear, the profitability boost of the past 18 months has improved producer financial resiliency and increased risk management opportunities. In its December 2020 Milk Production report, the USDA indicated increases in production per cow, number of cows, and overall milk production from the same period in 2019 across the major dairy producing states. Aside from the March-April price volatility, Class III Milk prices remained largely favorable throughout 2020, with the USDA projecting an annual average price of $18.16 per hundredweight (cwt) produced. Similarly, WASDE estimates a 2020 all-milk price of $18.30 per cwt, compared to $18.63 per cwt in 2019. While prices remain favorable overall, Class IV milk (butter/dry products) have not experienced the same improvement. Class IV forecast for 2020 is $13.49 per cwt, nearly $3 per cwt below 2019, driven by strong inventories of butter and milk powder. All-milk price forecast for 2021 is $17.65 per cwt, slightly lower than 2020, but still suggesting profit potential for producers. The generally improved price environment, coupled with revenue and margin protection products, continues to provide Compeer clients tools to mitigate volatility within the market.

The swine sector experienced the most extreme swings in volatility within the year. Individual client profitability, or lack thereof, depended greatly upon the type of contracts and integrator relationships. Despite intermittent early pandemic plant closures, the supply chain adjusted processes and quickly brought capacity back online. While the industry is not immune to the ongoing foodservice demand fluctuations, it has largely found a "new normal" operating environment. In adjusting to processing disruptions during the onset of the pandemic, pork production was managed lower during the harshest periods. According to the Quarterly Hogs and Pigs report published by the National Agricultural Statistics Service of the USDA, U.S. pork production, as of December 2020, consisted of 77.5 million head, a 1% decrease from the same period in 2019. The report indicated the decrease was driven by both fewer market and breeding hogs, with decline in inventory both year-over-year and from the previous quarter. Going forward, production growth has resumed. In forecasting the December 2020 to February 2021 quarter, the USDA expects farrowing of 3.12 million sows, which is up 2% from year-ago levels. African Swine Fever (ASF) continued to impact global supply/demand, hampering foreign pork producers, and driving demand for U.S. pork. Imports to China, in particular, remained strong as it sought to replace lost production from its domestic ASF outbreak, while continuing to aggressively rebuild its breeding herd.

In December, the USDA updated its net farm income forecast to $119.6 billion, a $36.0 billion increase over 2019. The update also estimated net cash income for 2020 at $134.1 billion, a $24.7 billion year-over-year increase. The forecast assumes a decline in overall animal product receipts offset by stronger crop receipts (driven largely by revenue from fruits/nuts, as opposed to cash grains). Estimated government payment revenue is projected to be $46.5 billion in 2020, an increase of $24.0 billion from the prior year, largely due to ad hoc COVID-19 disaster relief support.

Along with the production agriculture portfolio, Compeer maintains a robust rural housing portfolio. This sector relies upon the health of the overall economy, interest rates, and general employment. The most recent U.S. Bureau of Labor Statistics unemployment rate of 6.7% continues a recent trend of stable to slow improvement. Annual average unemployment for 2020 stands at 8.1% as virus-fueled industry shutdowns drove record levels of joblessness. Despite these negative headwinds, the Compeer housing portfolio continues to perform. Home mortgage rates, which remain at historic lows, continue to drive strength in new home purchases and refinance activity. Where necessary, Compeer remains in line with guidance by the Federal Home Mortgage agencies and the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act in continuing to provide assistance, including forbearance, to both on-balance sheet and serviced loans of clients financially impacted by the COVID-19 pandemic.

While less than ideal environmental, market, and geopolitical conditions propelled volatility within several industries that Compeer serves, the portfolio continues to experience relatively low delinquencies and is navigating this period from a positon of sound credit quality. Several core portfolio industries have experienced significant improvement in overall conditions heading into 2021, creating solid market opportunities for producers. Our core credit objectives of working with clients to promote risk management, ensuring high quality financial statements and production reports, encouraging disciplined marketing plans, and providing individualized servicing plans and strategies remain unchanged. Compeer also remains committed to being an advocate for positive legislative changes that improve prospects for agriculture and rural America.

LOANS HELD TO MATURITY

Loan Portfolio

Total loans were $22.6 billion at December 31, 2020, an increase of $2.7 billion from December 31, 2019. 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	**2020**	2019	2018
Accrual loans:			
Real estate mortgage	**$ 11,621,546**	$ 9,746,744	$ 9,139,140
Production and intermediate-term	**4,025,459**	3,976,203	3,949,669
Agribusiness	**4,630,569**	3,959,718	3,624,403
Other	**2,170,180**	2,066,758	1,925,553
Nonaccrual loans	**137,350**	154,142	114,894
Total loans	**$ 22,585,104**	$ 19,903,565	$ 18,753,659

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 bonds originated under our mission related investment authority.

The increase in total loans from December 31, 2019, to December 31, 2020, was primarily driven by growth in our core markets and capital markets divisions. Overall, real estate mortgage loan increases were driven by demand from low interest rates and market share gains across our divisions. In addition, our agribusiness loans increased due to market disruptions caused by the COVID-19 pandemic and increased borrowing to support higher grain prices.

On May 1, 2020, we sold a 35% participation interest in primarily real estate loans under the Agri-Access® pool program, totaling $106.1 million to AgriBank and other District associations. The total outstanding participation interests in all pool programs were $1.8 billion, $2.0 billion, and $2.1 billion at December 31, 2020, 2019, and 2018, respectively.

The U.S. government has instituted various programs in support of the COVID-19 economic recovery. In early 2020, Congress passed the CARES Act. Among other provisions, the CARES Act and congressional approval made available for small businesses approximately $660.0 billion under the Paycheck Protection Program (PPP), which is a guaranteed loan program administered by the U.S. Small Business Administration (SBA). We obtained approval from the SBA in April 2020 to participate as a lender in the PPP. Loan applicants with 500 or fewer employees or who fit within the revenue-based size standard and who are eligible to receive financing under the Farm Credit Act and the FCA Regulations are able to borrow from our association under this program. The PPP provided for loan forgiveness if the loan proceeds are used in accordance with the terms of the program, with any amount not forgiven also guaranteed by the SBA. Loan payments were deferred for at least six months. As of December 31, 2020, we have successfully processed $159.8 million in PPP loans for customers. We are working with our customers gathering documentation and submitting applications for the forgiveness of the PPP loans, and $22.0 million has been forgiven as of December 31, 2020. At the end of December 2020, additional legislation was passed to extend the PPP by approximately $280.0 billion, which modified and expanded eligibility to borrowers and will be available through March 31, 2021. As part of this expanded program, we are working with our customers to assist them in obtaining new loans or additional amounts under their existing PPP loans, as appropriate.

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, 2020, approximately 22.8% of our loan portfolio was within our territory in Illinois, 20.9% was within our territory in Minnesota, 17.5% was within our territory in Wisconsin. The remainder of our portfolio is purchased outside of our territory to support rural America and to diversify our portfolio risk.

Agricultural Concentrations

As of December 31	**2020**	2019	2018
Cash grains	**31.8%**	31.6%	32.5%
Dairy	**9.7%**	10.6%	11.6%
Food products	**8.8%**	7.6%	7.5%
Agribusiness	**8.5%**	8.3%	8.3%
Swine	**7.4%**	8.1%	7.9%
Energy power and telecom	**6.5%**	7.1%	6.7%
Landlords	**5.1%**	5.0%	5.2%
Other crops	**4.7%**	4.5%	3.9%
Paper, packaging, and timber	**4.0%**	4.0%	3.9%
Cattle	**4.0%**	3.6%	3.5%
Rural home	**3.3%**	2.8%	2.3%
Poultry and other livestock	**1.9%**	1.9%	2.0%
Other	**4.3%**	4.9%	4.7%
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.

While the concentrations of dairy and swine in our portfolio decreased from 2019 to 2020, total loan volume within Compeer's dairy and swine portfolios both increased. These increases were outpaced by significant increases and growth in other areas during 2020, such as within cash grains and food products.

Portfolio Credit Quality

The credit quality of our portfolio improved from December 31, 2019. Adversely classified loans decreased to 2.8% of the portfolio at December 31, 2020, from 3.6% of the portfolio at December 31, 2019. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards.

In certain circumstances, government guarantee programs are used to reduce the risk of loss, and thus improve portfolio credit quality. To some level, $1.1 billion, $886.5 million, and $889.2 million of our loans were guaranteed under these government programs at December 31, 2020, 2019, and 2018, respectively. In addition, $329.6 million, $420.9 million, and $485.5 million of our loans were to some level guaranteed through the Federal Agricultural Mortgage Corporation (Farmer Mac), a System institution, Standby Commitment Program at December 31, 2020, 2019, and 2018, respectively.

As the early-2020 volatility stabilized, producers were largely able to take advantage of the improved marketing environment for several core commodities. The improved environment, coupled with sound risk management practices and a disciplined approach, is paying dividends for clients, while mitigating risk to Compeer, and drove down our adversely classified loan levels as of December 31, 2020.

Grain production in 2020 was solid throughout most of the territory as growing conditions were largely favorable. In several parts of the Compeer territory, yields approached record levels. Despite overall strong production, inventory levels continue to tighten as export volumes increase and overall usage is above expectations. As a result, corn and soybean prices improved significantly over the latter half of the year, with 2020 providing significant profitability potential, especially compared to that of previous years. Coupled with additional government payments to mitigate pandemic impact, producer financial positions are likely to strengthen.

Dairy price improvement in the latter half of 2019 generally carried through most of 2020, despite initial pandemic-fueled volatility. The stronger market conditions are expected to boost most dairy producers to above break-even profitability for the year. Producers also have ongoing opportunity as the current price outlook suggests that 2021 will be at or above break-even for most producers, especially those producers utilizing tools such as Dairy Revenue Protection for risk management in protecting profitability.

The pandemic and continuing effects of global ASF drove significant volatility within the swine markets in 2020. The profitability of most producers is directly tied to the type of contract and pricing they operate under. Producers tied to cutout values were more insulated from the negative effects of volatility than those that are tied to board prices. However, expansion of ASF drove market swings as importers adjusted purchases away from infected areas. These adjustments, plus China's diminished pig population, provided a robust export market for U.S. production. As such, most producers are expected to range around break-even for the year, and volatility seems likely to affect the outlook for 2021. Continuation of strong ASF-fueled exports could drive producer profits.

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 2020, 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	**2020**	2019	2018
Loans:			
Nonaccrual	**$ 137,350**	$ 154,142	$ 114,894
Accruing restructured	**9,071**	7,067	11,278
Accruing loans 90 days or more past due	**3,151**	5,013	7,427
Total risk loans	**149,572**	166,222	133,599
Other property owned	**3,040**	147	167
Total risk assets	**$ 152,612**	$ 166,369	$ 133,766
Total risk loans as a percentage of total loans	**0.7%**	0.8%	0.7%
Nonaccrual loans as a percentage of total loans	**0.6%**	0.8%	0.6%
Current nonaccrual loans as a percentage of total nonaccrual loans	**62.2%**	41.4%	36.4%
Total delinquencies as a percentage of total loans	**0.5%**	0.8%	0.8%

Note: Accruing loans include accrued interest receivable.

Our risk assets have decreased from December 31, 2019, and have remained at acceptable levels. Total risk loans as a percentage of total loans were well within our established risk management guidelines.

We have implemented a borrower relief program related to the COVID-19 global pandemic. The program is generally for borrowers with acceptable credit quality and who have experienced COVID-19 related financial difficulty. The relief comes in a variety of ways, but most predominantly payment deferrals and maturity extensions. To date, there have not been significant actions taken under this program. However, our program may continue to evolve and is dependent on the prolonged nature of the economic disruption. Lastly, we continue to work with each borrower on a case-by-case basis, which may involve loan restructurings outside the COVID-19 relief program.

The overall decrease in nonaccrual loans was primarily driven by activity related to eight customer relationships. Charge-offs were taken on four customers that had been in nonaccrual status, including one ethanol, one dairy, one energy, and one food customer. Other nonaccrual decreases included the payoff of one Agri-Access customer's loans, along with the paydown of another agribusiness customer's loans. Those decreases in nonaccrual loans were offset by the movement of one grain customer and one swine customer's loans to nonaccrual status. Nonaccrual loans remained at an acceptable level at December 31, 2020, 2019, and 2018.

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, 2020, 2019, and 2018, were adequately secured and in the process of collection, and as a result, were eligible to remain in accruing status.

The decrease in total delinquencies as a percentage of total loans was primarily due to the charge-offs of the dairy customer and ethanol customer, along with the payoff of the other specialized industry customer, as mentioned above in the nonaccrual discussion. These loans had been past due at December 31, 2019.

The increase in other property owned was due to the acquisition of property held as collateral for the dairy customer loan that was charged-off during 2020, as mentioned above in the nonaccrual and delinquency discussions.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans inherent in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based upon our quarterly allowance for loan losses calculation. This calculation is based upon our evaluation of factors and assumptions such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions. The allowance for loan losses is increased by provision for loan losses and loan recoveries, and decreased by loan charge-offs, as disclosed in Note 3 in the Changes in Allowance for Loan Losses chart.

See the Provision for Loan Losses sub-section (within the Results of Operations section) for a discussion on the increase in provision for loan losses during the year ended December 31, 2020, as a response to our credit quality forecast of stress, which subsequently increased both the balance in our allowance for loan losses account and allowance ratios shown below. As a result of this activity in the allowance for loan losses, the following allowance coverage ratios result:

Allowance Coverage Ratios

As of December 31	**2020**	2019	2018
Allowance as a percentage of:			
Loans	**0.4%**	0.4%	0.3%
Nonaccrual loans	**64.9%**	50.9%	52.2%
Total risk loans	**59.6%**	47.2%	44.9%
Net charge-offs as a percentage of average loans	**0.1%**	0.0%	0.0%
Adverse assets to capital and allowance for loan losses	**15.9%**	18.9%	15.5%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at December 31, 2020. 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, 11, 12, and 14 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 $51.5 million, $27.8 million, and $18.5 million at December 31, 2020, 2019, and 2018, 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 $197.8 million, $75.4 million, and $44.0 million in 2020, 2019, and 2018, respectively. In addition, we sold rural home loans in the secondary market through our RuraLiving® program totaling $123.4 million, $61.9 million, and $85.9 million in 2020, 2019, and 2018, respectively. See the Fee and Other Non-Interest Income sub-section (within the Results of Operations section) for discussion on the impact these sales had on fee income. Also, for additional discussion regarding these transactions and loans held for sale, refer to Notes 4 and 14 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, $1.2 billion, and $995.1 million at December 31, 2020, 2019, and 2018, 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 either held-to-maturity or available-for-sale during the years ended December 31, 2020, 2019, and 2018. 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 $731.9 million, $884.7 million, and $877.9 million as of December 31, 2020, 2019, and 2018, respectively.

As noted within the Loans Held for Sale section, available-for-sale securities resulted from our RuraLiving program. We typically purchase the resulting securities from Farmer Mac. During 2020, 2019, and 2018, we would actively market and sell these securities within 30 days of purchase; however, during 2020, Compeer elected to change the program such that all securities purchased within this program going forward will be classified as held-to-maturity. We sold available-for-sale investment securities with total sales proceeds of $37.0 million, $60.5 million, and $86.7 million during 2020, 2019, and 2018, respectively. These sales resulted in a loss of $181 thousand, $635 thousand, and $511 thousand during 2020, 2019, and 2018, 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, 2020, 2019, and 2018.

The investment portfolio is evaluated for other-than-temporary impairment. For the years ended December 31, 2020, 2019, and 2018, we have not recognized any impairment on our investment securities portfolio.

Additional investment securities information is included in Notes 5 and 14 to the accompanying Consolidated Financial Statements and regulatory changes related to investments is included in the Regulatory Matters section.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the year ended December 31	**2020**	2019	2018
Net income	**$ 439,892**	$ 396,621	$ 403,846
Return on average assets	**1.9%**	1.9%	2.0%
Return on average equity	**11.1%**	10.6%	11.5%

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 2020	2019	2018	Increase (decrease) in net income 2020 vs 2019	2019 vs 2018
Net interest income	**$ 524,053**	$ 481,789	$ 474,567	**$ 42,264**	$ 7,222
Provision for loan losses	**27,894**	20,777	15,249	**(7,117)**	(5,528)
Non-interest income	**272,662**	235,679	214,773	**36,983**	20,906
Non-interest expense	**311,069**	282,762	266,261	**(28,307)**	(16,501)
Provision for income taxes	**17,860**	17,308	3,984	**(552)**	(13,324)
Net income	**$ 439,892**	$ 396,621	$ 403,846	**$ 43,271**	$ (7,225)

Net Interest Income

Changes in Net Interest Income

(in thousands)

For the year ended December 31	2020 vs 2019	2019 vs 2018
Changes in volume	**$ 43,126**	$ 25,753
Changes in interest rates	**(6,719)**	(15,412)
Changes in asset securitization	**108**	125
Changes in nonaccrual income and other	**5,749**	(3,244)
Net change	**$ 42,264**	$ 7,222

Net interest margin (net interest income as a percentage of average earning assets) was 2.4%, 2.4%, and 2.5% in 2020, 2019, and 2018, respectively. Our net interest margin is sensitive to interest rate changes and competition. Although stable overall, we saw an increase in spread in smaller operating loans and mortgage loans, which helped offset the decline in earnings on equity across the portfolio.

Net interest income included income on nonaccrual loans that totaled $9.1 million, $3.5 million, and $7.3 million in 2020, 2019, and 2018, respectively. Nonaccrual income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered. See the Regulatory Matters section for discussion regarding revised criteria to reinstate nonaccrual loans to accrual status.

Provision for Loan Losses

The increase in the provision for loan losses was related to our estimate of losses in our portfolio for the applicable years. Provision expense for 2020 reflects the estimated impact of COVID-19 on our clients and our loan portfolio as of December 31, 2020. Management monitors our allowance for loan losses calculation on an ongoing basis, and aligns corresponding provision expenses or reversals, as needed, with the allowance calculation. Provision for loan losses directly impacts the allowance for loan losses as discussed in the Allowance for Loan Losses sub-section (within the Loans Held to Maturity section). Additional discussion is also 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 patronage income from AgriBank and broad-based growth in fee and other non-interest income.

Patronage Income: We may receive patronage from AgriBank and other Farm Credit Institutions. Patronage distributions from AgriBank and other Farm Credit Institutions are declared solely at the discretion of each institution's Board of Directors.

Patronage Income

(in thousands)

For the year ended December 31	2020	2019	2018
Patronage from AgriBank	**$ 154,090**	$ 141,574	$ 129,282
AgDirect partnership distribution	**2,885**	2,854	2,414
Other patronage	**1,171**	71	131
Total patronage income	**$ 158,146**	$ 144,499	$ 131,827
Form of patronage distributions:			
Cash	**$ 158,146**	$ 96,824	$ 131,827
Stock	**--**	47,675	--
Total patronage income	**$ 158,146**	$ 144,499	$ 131,827

Patronage from AgriBank primarily includes wholesale patronage and pool program patronage. All patronage payments are at the sole discretion of the AgriBank Board of Directors and are determined based on actual financial results, projections, and long-term capital goals. Overall pool program patronage declined due to run off in the portfolio; however, wholesale patronage increased due to above-average profitability at AgriBank. Delineations between cash patronage and stock patronage are made by AgriBank in accordance with AgriBank's capital plan. Cash patronage is preferred by the Association.

Fee and Other Non-interest Income: Fees increased throughout the year ended December 31, 2020, due to higher volumes of loan originations, especially within our rural home division, and fee income related to the government PPP loan originations. Also contributing to the increase were fees from loan conversions, which allow clients to easily lower their interest rate in exchange for a fee. We originated rural home loans for resale in the secondary market, as more fully explained in the Loans Held for Sale section. The fee income from this activity totaled $4.0 million, $858 thousand, and $588 thousand in 2020, 2019, and 2018, respectively. In addition, the fee income from RuraLiving program sales totaled $597 thousand, $284 thousand, and $367 thousand in 2020, 2019, and 2018, respectively. All fee income amounts noted here are included in “Fee and other non-interest income” in the accompanying Consolidated Statements of Comprehensive Income.

Non-Interest Expense

The following presents a comparison of operating expenses by major category and the net pre-tax operating rate (total on-going 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	2020	2019	2018
Salaries and employee benefits	**$ 208,883**	$ 180,404	$ 173,530
Other operating expense:			
Purchased and vendor services	**18,099**	15,562	11,402
Communications	**4,446**	3,982	3,973
Occupancy and equipment	**30,107**	29,582	25,656
Advertising and promotion	**11,782**	13,783	13,049
Examination	**4,001**	3,916	3,866
Farm Credit System insurance	**18,273**	15,091	14,218
Other	**10,229**	13,055	16,059
Other non-interest expense	**5,249**	7,387	4,508
Total non-interest expense	**$ 311,069**	$ 282,762	$ 266,261
Net pre-tax operating rate	**0.8%**	0.9%	0.9%

The increase in total non-interest expense was primarily driven by the increase in salaries and employee benefits as shown above. These expenses increased from 2019 to 2020 as a result of new employees being brought on in late 2019 and throughout 2020. In addition, variable compensation paid in 2020 increased from 2019 amounts due to record new business levels.

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, 2020, we had $6.5 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 source of lendable funds is from equity.

Note Payable Information

(dollars in thousands)

For the year ended December 31	2020	2019	2018
Average balance	**$ 18,927,828**	$ 17,129,929	$ 16,134,234
Average interest rate	**1.8%**	2.7%	2.5%

The average balance on our note payable grew in line with the average increase in our loan assets used to secure our borrowing. The average interest rate dropped in line with market interest rates. Given ongoing low rates and the benign outlook from the Federal Reserve Bank, we would expect this rate to continue to drop in 2021.

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. As a result, it is expected, but not certain, that LIBOR will no longer be quoted after 2021. In late 2020, ICE Benchmark Administration (IBA), the administrator of LIBOR, announced its intention to publish major USD LIBOR indexes through June 30, 2023. The FCA issued a response and guidance that the IBA proposal is not in any way intended to slow down the transition.

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. At this time, it remains uncertain when LIBOR will cease to be available or if the Secured Overnight Financing Rate (SOFR) will become the benchmark to replace LIBOR.

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.

During 2013, we issued $100.0 million of Series A-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 8 to the accompanying Consolidated Financial Statements for additional discussion related to preferred stock.

We have entered into a Standby Commitment to Purchase Agreement with the 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 $329.6 million, $420.9 million, and $485.5 million of our loans in this program at December 31, 2020, 2019, and 2018, respectively. We had no sales of loans to Farmer Mac under this agreement in 2020. Sales of loans to Farmer Mac under this agreement were $469 thousand and $1.1 million in 2019, and 2018, respectively.

CAPITAL ADEQUACY

Total equity was $4.0 billion, $3.8 billion, and $3.6 billion at December 31, 2020, 2019, and 2018, respectively. Total equity increased $218.8 million from December 31, 2019, primarily due to net income for the year 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	**2020**	2019	2018	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**14.3%**	15.0%	14.7%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**14.7%**	15.5%	15.2%	6.0%	2.5%	8.5%
Total capital ratio	**15.2%**	15.9%	15.6%	8.0%	2.5%	10.5%
Permanent capital ratio	**15.0%**	15.9%	15.7%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**14.8%**	15.4%	15.3%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**14.6%**	14.8%	14.2%	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, subject to certain limitations. Additional information is included in Note 8 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 discussion of regulatory ratios and equity information is included in Note 8 to the accompanying Consolidated Financial Statements and off-balance sheet commitments are discussed in Note 12 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 2021 capital plan.

As authorized by the Board of Directors, we accrued patronage distributions of $145.0 million as of December 31, 2020, to be paid in cash during 2021. In addition, as of December 31, 2020, we accrued $52.0 million for the redemption of our nonqualified patronage program, in addition to $783 thousand of other retirements for the year, to be paid to former members of the merged associations in the first quarter of 2021. Also, the Board of Directors authorized the payment of $6.8 million of other distributions on approved transactions for 2020. Further information regarding our patronage distributions is included in Note 8 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 2021.

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 discussed 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, 2020, 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.

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. Specifically, the AgDirect trade credit financing program is required to own stock in AgriBank in the amount of 6.0% of the AgDirect program's outstanding participation loan balance at quarter end plus 6.0% of the expected balance to be originated during the following quarter.

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, 2020, we purchased certain business services from AgriBank. 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 offered by SunStream. For further discussion on our relationship with SunStream see the Other Relationships and Programs section. Additional related party information is included in Note 11 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

ProPartners Financial: We participate in ProPartners Financial (ProPartners) with certain Farm Credit System institutions to provide producer financing through agribusinesses that sell crop inputs. ProPartners is directed by representatives from participating associations. Through November 30, 2018, the income, expense, and credit risks were allocated based on each association's participation interest of the ProPartners volume. Each association's allocation was established based on mutual agreement of the owners. On December 1, 2018, we sold 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. AgriBank immediately purchases a 100% participation interest in all new ProPartners loans.

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. Beginning December 1, 2018, 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.

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.

Federal Agricultural Mortgage Corporation: We have a financial relationship with Farmer Mac to provide a standby commitment program for the repayment of principal and interest on certain loans. Refer to the Funding and Liquidity section for further discussion. We also purchase mortgage-backed security investments from Farmer Mac. Refer to the Investment Securities section for further discussion. We paid Farmer Mac fees totaling $2.6 million, $2.1 million, and $2.2 million in 2020, 2019, and 2018, respectively. These amounts are included in "Other non-interest expense" in the Consolidated Statements of Comprehensive Income.

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.

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, 2020, 2019, and 2018, our equity investment in CoBank was $1.2 million.

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. Our entire investment in SunStream was called on April 1, 2020, at which time $3.1 million was paid in cash and the remainder was paid in January 2021. As of December 31, 2020, our investment in SunStream was $5.6 million. Additional related party information is included in Note 11 to the accompanying Consolidated Financial Statements.

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, 2020, 2019, and 2018, our investment in Foundations was $154 thousand. Additional related party information is included in Note 11 to the accompanying Consolidated Financial Statements.

Rural Business Investment Company: We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). Refer to Note 12 to the accompanying Consolidated Financial Statements for further discussion.

Unincorporated Business Entities (UBEs)

In certain circumstances we may establish separate entities to acquire and manage complex collateral, primarily for legal liability purposes.

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.

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 $24.2 million, $18.4 million, and $17.6 million at December 31, 2020, 2019, and 2018, 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. We had outstanding bonds of $104.8 million, $112.0 million, and $120.7 million at December 31, 2020, 2019, and 2018, respectively. This program makes investments in rural America through the purchase of bonds, focusing on rural businesses, health care, and housing facilities. We continue to have minority investments of $5 thousand in a few small-scale local economic development corporations at December 31, 2020, 2019, and 2018.

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 2020, 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 United States. 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.

REGULATORY MATTERS

The following regulatory changes occurred during the year ended December 31, 2020. For both final rules we have updated our policies, procedures, and other documentation to ensure compliance with the amended regulations. The amendments did not have a material impact to our financial statements.

Criteria to Reinstate Nonaccrual Loans

The FCA Board approved a final rule to revise how high-risk loans for System banks and associations are classified by clarifying the factors used to place loans in nonaccrual status and revising reinstatement criteria, which became effective October 21, 2020. The stated objectives of the revised requirements are to:

- Enhance the usefulness of high-risk loan categories
- Replace the subjective measure of "reasonable doubt" used for reinstating loans to accrual status with a measurable standard
- Improve the timely recognition of a change in a loan's status
- Update existing terminology and make other grammatical changes

Investment Securities Eligibility

The FCA Board approved a final rule to amend the investment eligibility regulation. The final rule became effective December 4, 2020, and allows associations to purchase portions of loans in the secondary market that are fully and unconditionally guaranteed by the USDA.

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, 2020. 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.

Dale Holmgren
Chairperson of the Board
Compeer Financial, ACA

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

Jase L. Wagner
Chief Financial Officer
Compeer Financial, ACA

March 1, 2021

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 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, 2020. 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, 2020, 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, 2020, 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, 2020.

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

Jase L. Wagner
Chief Financial Officer
Compeer Financial, ACA

March 1, 2021

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, 2020, 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 auditors 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, 2020.

Gregory Pollesch
Chairperson of the Audit Committee
Compeer Financial, ACA

Audit Committee Members:
Mark Cade
Larry Fischer
Kathleen Hainline
Roger Newell

March 1, 2021

pwc

Report of Independent Auditors

To the Board of Directors of Compeer Financial, ACA,

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, 2020, 2019, and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

An audit of internal control over financial reporting involves performing procedures to obtain evidence about whether a material weakness exists. The procedures selected depend on our judgment, including assessment of the risk that a material weakness exists. An audit of internal control over financial reporting also involves obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

Opinions

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Compeer Financial, ACA and its subsidiaries as of December 31, 2020, 2019, and 2018, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

PricewaterhouseCoopers LLP

March 1, 2021

PricewaterhouseCoopers LLP, 45 South Seventh Street, Suite 3400, Minneapolis, MN 55402
T: (612) 596 6000, www.pwc.com/us

CONSOLIDATED STATEMENTS OF CONDITION

Compeer Financial, ACA

(in thousands)

As of December 31	2020	2019	2018
ASSETS			
Loans held to maturity	**$ 22,585,104**	$ 19,903,565	$ 18,753,659
Allowance for loan losses	**89,157**	78,504	59,928
Net loans held to maturity	**22,495,947**	19,825,061	18,693,731
Loans held for sale	**51,541**	27,807	18,496
Net loans	**22,547,488**	19,852,868	18,712,227
Unrestricted cash	**2,300**	2,300	2,300
Investment securities	**1,149,438**	1,172,537	995,140
Assets held for lease, net	**93,015**	65,169	46,974
Accrued interest receivable	**171,798**	190,601	171,220
Investment in AgriBank, FCB	**662,203**	623,330	567,596
Premises and equipment, net	**76,711**	75,320	70,697
Other assets	**239,318**	201,808	188,083
Total assets	**$ 24,942,271**	$ 22,183,933	$ 20,754,237
LIABILITIES			
Note payable to AgriBank, FCB	**$ 20,458,004**	$ 17,927,105	$ 16,739,126
Accrued interest payable	**66,806**	113,267	110,302
Deferred tax liabilities, net	**26,720**	16,137	4,839
Patronage distribution payable	**203,758**	177,000	151,710
Other liabilities	**160,735**	143,014	146,281
Total liabilities	**20,916,023**	18,376,523	17,152,258
Contingencies and commitments (Note 12)			
EQUITY			
Preferred stock	**100,000**	100,000	100,000
Capital stock and participation certificates	**33,842**	32,737	33,062
Capital stock and participation certificates receivable	**(5,576)**	--	--
Additional paid-in capital	**1,780,603**	1,780,603	1,780,603
Allocated surplus	**321,115**	373,898	426,776
Unallocated surplus	**1,813,294**	1,531,824	1,272,556
Accumulated other comprehensive loss	**(17,030)**	(11,652)	(11,018)
Total equity	**4,026,248**	3,807,410	3,601,979
Total liabilities and equity	**$ 24,942,271**	$ 22,183,933	$ 20,754,237

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	2020	2019	2018
Interest income	**$ 862,743**	$ 950,873	$ 871,137
Interest expense	**338,690**	469,084	396,570
Net interest income	**524,053**	481,789	474,567
Provision for loan losses	**27,894**	20,777	15,249
Net interest income after provision for loan losses	**496,159**	461,012	459,318
Non-interest income			
Patronage income	**158,146**	144,499	131,827
Net operating lease income	**3,763**	2,989	2,278
Financially related services income	**43,025**	42,548	42,190
Allocated Insurance Reserve Accounts distribution	**4,406**	4,468	10,938
Fee and other non-interest income	**63,322**	41,175	27,540
Total non-interest income	**272,662**	235,679	214,773
Non-interest expense			
Salaries and employee benefits	**208,883**	180,404	173,530
Farm Credit System insurance	**18,273**	15,091	14,218
Other operating expense	**78,664**	79,880	74,005
Other non-interest expense	**5,249**	7,387	4,508
Total non-interest expense	**311,069**	282,762	266,261
Income before income taxes	**457,752**	413,929	407,830
Provision for income taxes	**17,860**	17,308	3,984
Net income	**$ 439,892**	$ 396,621	$ 403,846
Other comprehensive loss			
Employee benefit plans activity	**$ (5,378)**	$ (634)	$ (3,769)
Total other comprehensive loss	**(5,378)**	(634)	(3,769)
Comprehensive income	**$ 434,514**	$ 395,987	$ 400,077

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, 2017	$ 100,000	$ 34,213	$ 1,780,603	$ 523,252	$ 980,818	$ (7,249)	$ 3,411,637
Net income	--	--	--	--	403,846	--	403,846
Other comprehensive loss	--	--	--	--	--	(3,769)	(3,769)
Redemption of prior year allocated patronage	--	--	--	(96,476)	96	--	(96,380)
Preferred stock dividend	--	--	--	--	(6,750)	--	(6,750)
Other distribution	--	--	--	--	(5,447)	--	(5,447)
Unallocated surplus designated for patronage distributions	--	--	--	--	(100,007)	--	(100,007)
Cumulative effect of change in accounting principle	--	--	--	--	--	--	--
Capital stock and participation certificates issued	--	2,349	--	--	--	--	2,349
Capital stock and participation certificates retired	--	(3,500)	--	--	--	--	(3,500)
Capital stock and participation certificates receivable, net	--	--	--	--	--	--	--
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 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 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**

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	**2020**	2019	2018
Cash flows from operating activities			
Net income	**$ 439,892**	$ 396,621	$ 403,846
Depreciation on premises and equipment	**9,543**	9,415	8,206
Gain on sale of premises and equipment, net	**(812)**	(187)	(393)
Depreciation on assets held for lease	**12,548**	9,993	8,769
Loss (gain) on disposal of assets held for lease, net	**75**	(85)	(51)
(Increase) decrease in loans held for sale	**(23,734)**	(9,311)	11,566
Amortization of premiums on loans and investment securities, net	**10,061**	3,297	2,726
Net amortization of yield related to loans and notes payable acquired in merger	**(8,138)**	(2,650)	(6,558)
Net amortization of yield related to investments acquired in merger	**809**	85	72
Provision for loan losses	**27,894**	20,777	15,249
Stock patronage received from Farm Credit Institutions	**(20)**	(47,685)	(32)
Loss (gain) on other property owned, net	**730**	(7)	(133)
Loss (gain) on derivative activities	**4,256**	804	(583)
Loss on sale of available for sale investment securities	**181**	635	511
Changes in operating assets and liabilities:			
Decrease (increase) in accrued interest receivable	**13,668**	(20,168)	(21,651)
Increase in other assets	**(28,745)**	(13,074)	(28,696)
(Decrease) increase in accrued interest payable	**(46,461)**	2,965	31,343
Increase in other liabilities	**17,635**	11,739	56,978
Net cash provided by operating activities	**429,382**	363,164	481,169
Cash flows from investing activities			
Increase in loans, net	**(2,673,065)**	(1,151,125)	(1,001,544)
Purchases of investment in AgriBank, FCB, net	**(39,682)**	(8,059)	(52,884)
(Purchases) redemptions of investment in other Farm Credit Institutions, net	**(8,928)**	(782)	488
Purchases of investment securities	**(334,196)**	(386,148)	(322,989)
Proceeds from maturing investment securities	**309,988**	144,401	118,165
Proceeds from the sale of available for sale investment securities	**37,020**	60,481	86,727
(Purchases) sales of derivatives, net	**(4,102)**	(780)	606
Purchases of assets held for lease, net	**(40,469)**	(28,103)	(14,324)
Proceeds from sales of other property owned	**2,697**	76	1,319
Purchases of premises and equipment, net	**(10,122)**	(13,851)	(13,362)
Net cash used in investing activities	**(2,760,859)**	(1,383,890)	(1,197,798)
Cash flows from financing activities			
Increase in note payable to AgriBank, FCB, net	**2,527,837**	1,188,540	892,282
Patronage and other distributions paid	**(183,895)**	(157,318)	(166,677)
Preferred stock dividend paid	**(6,750)**	(6,750)	(6,750)
Capital stock and participation certificates issued (retired), net	**142**	(793)	(1,371)
Net cash provided by financing activities	**2,337,334**	1,023,679	717,484
Net change in cash and restricted cash	**5,857**	2,953	855
Cash and restricted cash at beginning of year	**8,330**	5,377	4,522
Cash and restricted cash at end of year	**$ 14,187**	$ 8,330	$ 5,377
Supplemental information			
Interest paid	**$ 382,089**	$ 466,680	$ 365,443
Taxes paid, net	**18,330**	5,851	671

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 customer-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 also service certain loans.

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, 2021, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 67 borrower-owned cooperative lending institutions (associations). 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, 2021, the District consisted of 14 ACAs that each have wholly-owned FLCA and 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, unamortized premiums or discounts on purchased loans, and unamortized adjustments to fair value on loans acquired through merger. 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, 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 is capitalized to the recorded investment of the loan, unless the net realizable value is less than the recorded investment in the loan, then it is 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 after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time 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 related to the COVID-19 pandemic or 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.

Purchased Credit-Impaired (PCI) Loans: Loans acquired through merger with evidence of credit deterioration since their origination and when it is probable that we will not collect all contractually required principal and interest payments are PCI loans. PCI loans are written down at acquisition to estimated fair value and an accretable yield may be established. The excess of cash flows expected to be collected over the carrying value is referred to as the accretable yield and is recognized in interest income using the effective yield method over the remaining life of the loan.

Evidence of credit quality deterioration as of the purchase date may include statistics such as past due and nonaccrual status. Acquired loans that meet our definition of risk loans are generally considered to be credit-impaired and are accounted for as individual loans. Accounting for PCI loans involves estimating fair value at acquisition using the cash flows expected to be collected. As we generally are unable to estimate the timing and amount of future cash flows, measurement is based on the net realizable value of the collateral underlying these loans.

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 analyzed 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, including purchased credit-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.

An allowance is recorded for probable and estimable credit losses as of the financial statement date for loans that are not individually assessed as impaired. We use 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 “Provision for loan losses” in the Consolidated Statements of Comprehensive Income, recoveries, and charge-offs.

For purchased loans acquired that are not deemed impaired at acquisition, credit discounts representing the principal losses expected over the life of the loan are a component of the initial fair value. Subsequent to the purchase date, the methods utilized to estimate the required allowance for credit losses for these loans is similar to originated loans. However, we record a provision for credit losses only when the required allowance exceeds any remaining credit discounts. The remaining differences between the purchase price and the unpaid principal balance at the date of acquisition are recorded in “Interest income” in the Consolidated Statements of Comprehensive Income over the life of the loans.

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 may not necessarily be held-to-maturity and, accordingly, 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” 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 “Fee and other non-interest income” 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 the line item “Other operating expense” on the Consolidated Statements of Comprehensive Income. Service costs are included in the line item “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: Unfunded commitments for residential mortgages intended to be held for sale are considered derivatives and recorded in the Consolidated Statements of Condition at fair value with changes in fair value recorded in “Fee and other non-interest income” in the Consolidated Statements of Comprehensive Income. In addition, we are party to derivative financial instruments called “to be announced” securities (TBAs) 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. TBAs 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.

Derivatives are recorded on the Consolidated Statements of Condition as “Other assets” or “Other liabilities” on a net basis, measured at fair value. These derivatives are designed as 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 are 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 customers, generally having 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 disbursal 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, 2020, 2019, or 2018.

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 guidance, Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The optional amendments are effective for all entities as of March 12, 2020, through December 31, 2022.	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.	We are currently evaluating the impact of this guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.
In June 2016, the FASB issued Accounting Standards Update (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 amends 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. We are currently assessing the impact this guidance will have on our financial statements upon adoption, which will be impacted by the composition of our portfolio and asset quality at the adoption date, as well as economic conditions and forecasts at the time of adoption. We have reviewed the accounting standard, selected and substantially completed development and testing of our system, and are in the process of drafting disclosures. Significant implementation matters yet to be addressed include drafting of accounting policies and designing processes and controls. We are currently unable to estimate the impact on our financial statements.

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

Loans by Type

(dollars in thousands)	**2020**		2019		2018	
As of December 31	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$ 11,708,049**	**51.9%**	$ 9,829,067	49.4%	$ 9,199,249	49.1%
Production and intermediate-term	**4,069,993**	**18.0%**	4,020,065	20.2%	3,984,347	21.2%
Agribusiness	**4,634,460**	**20.5%**	3,976,708	20.0%	3,632,104	19.4%
Other	**2,172,602**	**9.6%**	2,077,725	10.4%	1,937,959	10.3%
Total	**$ 22,585,104**	**100.0%**	$ 19,903,565	100.0%	$ 18,753,659	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 bonds originated under our mission related investment authority. 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, 2020, 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 Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2020	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)**

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2019	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)

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2018	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ --	$ (1,751,825)	$ 392,946	$ (180,673)	$ 1,792,465	$ (30,001)	$ 2,185,411	$ (1,962,499)
Production and intermediate-term	--	(446,016)	289,072	(942,941)	1,216,304	(9,956)	1,505,376	(1,398,913)
Agribusiness	--	(60,090)	1,582,239	(1,482,205)	963,522	(12,189)	2,545,761	(1,554,484)
Other	--	(21,766)	1,571,325	(452,562)	1,929	--	1,573,254	(474,328)
Total	$ --	$ (2,279,697)	$ 3,835,582	$ (3,058,381)	$ 3,974,220	$ (52,146)	$ 7,809,802	$ (5,390,224)

Information in the preceding chart excludes loans entered into under our mission related investment authority and leasing authority.

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, 2020, 2019, or 2018.

Credit Quality of Loans

(dollars in thousands)	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2020	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	**$ 21,380,585**	**94.1%**	**$ 714,514**	**3.1%**	**$ 646,062**	**2.8%**	**$ 22,741,161**	**100.0%**

	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2019	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	$ 18,524,543	92.3%	$ 815,489	4.1%	$ 733,441	3.6%	$ 20,073,473	100.0%

	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2018	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 8,648,844	93.2%	$ 332,990	3.6%	$ 300,429	3.2%	$ 9,282,263	100.0%
Production and intermediate-term	3,665,198	90.8%	196,454	4.9%	172,787	4.3%	4,034,439	100.0%
Agribusiness	3,534,012	97.0%	38,292	1.0%	74,655	2.0%	3,646,959	100.0%
Other	1,896,884	97.6%	28,982	1.5%	18,187	0.9%	1,944,053	100.0%
Total	$ 17,744,938	93.8%	$ 596,718	3.2%	$ 566,058	3.0%	$ 18,907,714	100.0%

Note: Accruing loans include accrued interest receivable.

Aging Analysis of Loans

(in thousands) **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	Total	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	**$ 74,362**	**$ 50,508**	**$ 124,870**	**$ 22,616,291**	**$ 22,741,161**	**$ 3,151**

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	Total	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	$ 71,399	$ 81,388	$ 152,787	$ 19,920,686	$ 20,073,473	$ 5,013

As of December 31, 2018	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 38,799	$ 37,346	$ 76,145	$ 9,206,118	$ 9,282,263	$ 194
Production and intermediate-term	28,911	28,440	57,351	3,977,088	4,034,439	646
Agribusiness	202	901	1,103	3,645,856	3,646,959	--
Other	7,560	7,933	15,493	1,928,560	1,944,053	6,587
Total	$ 75,472	$ 74,620	$ 150,092	$ 18,757,622	$ 18,907,714	$ 7,427

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	**2020**	2019	2018
Nonaccrual loans:			
Current as to principal and interest	**$ 85,409**	$ 63,873	$ 41,836
Past due	**51,941**	90,269	73,058
Total nonaccrual loans	**137,350**	154,142	114,894
Accruing restructured loans	**9,071**	7,067	11,278
Accruing loans 90 days or more past due	**3,151**	5,013	7,427
Total risk loans	**$ 149,572**	$ 166,222	$ 133,599
Volume with specific allowance	**$ 53,132**	$ 45,235	$ 37,103
Volume without specific allowance	**96,440**	120,987	96,496
Total risk loans	**$ 149,572**	$ 166,222	$ 133,599
Total specific allowance	**$ 16,544**	$ 22,658	$ 14,031

For the year ended December 31	**2020**	2019	2018
Income on accrual risk loans	**$ 869**	$ 901	$ 1,148
Income on nonaccrual loans	**9,075**	3,476	7,271
Total income on risk loans	**$ 9,944**	$ 4,377	$ 8,419
Average risk loans	**$ 152,880**	$ 160,005	$ 133,001

Note: Accruing loans include accrued interest receivable.

Nonaccrual Loans by Loan Type

(in thousands)

As of December 31	**2020**	2019	2018
Real estate mortgage	**$ 86,506**	$ 82,322	$ 60,108
Production and intermediate-term	**44,533**	43,862	34,678
Agribusiness	**3,891**	16,990	7,702
Other	**2,420**	10,968	12,406
Total	**$ 137,350**	$ 154,142	$ 114,894

Additional Impaired Loan Information by Loan Type

(in thousands)	As of December 31, 2020 Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	For the year ended December 31, 2020 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 Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	For the year ended December 31, 2019 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	$ 45,235	$ 50,575	$ 22,658	$ 44,097	$ --
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	$ 120,987	$ 163,908	$ --	$ 115,908	$ 4,377
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	$ 166,222	$ 214,483	$ 22,658	$ 160,005	$ 4,377

	As of December 31, 2018			For the year ended December 31, 2018	
	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	$ 2,023	$ 2,020	$ 1,214	$ 1,925	$ --
Production and intermediate-term	17,354	19,031	7,252	21,126	--
Agribusiness	7,679	8,682	2,756	7,751	--
Other	10,047	10,628	2,809	8,636	--
Total	$ 37,103	$ 40,361	$ 14,031	$ 39,438	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 68,615	$ 91,154	$ --	$ 65,309	$ 3,788
Production and intermediate-term	18,911	38,733	--	23,022	4,367
Agribusiness	23	120	--	14	--
Other	8,947	9,621	--	5,218	264
Total	$ 96,496	$ 139,628	$ --	$ 93,563	$ 8,419
Total impaired loans:					
Real estate mortgage	$ 70,638	$ 93,174	$ 1,214	$ 67,234	$ 3,788
Production and intermediate-term	36,265	57,764	7,252	44,148	4,367
Agribusiness	7,702	8,802	2,756	7,765	--
Other	18,994	20,249	2,809	13,854	264
Total	$ 133,599	$ 179,989	$ 14,031	$ 133,001	$ 8,419

Note: Impaired loans include purchased credit-impaired loans.

[1]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 unamortized adjustments to fair value on loans acquired through the merger and may also reflect a previous direct charge-off of the investment.

[2]Unpaid 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, 2020.

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	**2020**		2019		2018	
	Pre-modification	Post-modification	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	**$ 4,574**	**$ 5,047**	$ 293	$ 293	$ 309	$ 309
Production and intermediate-term	**2,236**	**1,729**	138	116	1,712	1,708
Agribusiness	**--**	**--**	--	--	6,857	6,857
Other	**186**	**187**	--	--	--	--
Total	**$ 6,996**	**$ 6,963**	$ 431	$ 409	$ 8,878	$ 8,874

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 unamortized adjustments to fair value on loans acquired through the merger 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.

TDRs that Occurred Within the Previous 12 Months that Subsequently Defaulted

(in thousands)	**2020**	2019	2018
Production and intermediate-term	**$ --**	$ --	$ 33
Agribusiness	**--**	--	4,242
Total	**$ --**	$ --	$ 4,275

TDRs Outstanding

(in thousands) As of December 31	2020	2019	2018
Accrual status:			
Real estate mortgage	$ 8,236	$ 6,415	$ 10,337
Production and intermediate-term	835	652	941
Agribusiness	--	--	--
Other	--	--	--
Total TDRs in accrual status	$ 9,071	$ 7,067	$ 11,278
Nonaccrual status:			
Real estate mortgage	$ 1,541	$ 810	$ 1,114
Production and intermediate-term	510	562	525
Agribusiness	--	3,719	4,547
Other	180	64	64
Total TDRs in nonaccrual status	$ 2,231	$ 5,155	$ 6,250
Total TDRs:			
Real estate mortgage	$ 9,777	$ 7,225	$ 11,451
Production and intermediate-term	1,345	1,214	1,466
Agribusiness	--	3,719	4,547
Other	180	64	64
Total TDRs	$ 11,302	$ 12,222	$ 17,528

There were no material commitments to lend to borrowers whose loans have been modified in a TDR at December 31, 2020.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) For the year ended December 31	2020	2019	2018
Balance at beginning of year	$ 78,504	$ 59,928	$ 48,849
Provision for loan losses	27,894	20,777	15,249
Loan recoveries	875	985	1,499
Loan charge-offs	(18,116)	(3,186)	(5,669)
Balance at end of year	$ 89,157	$ 78,504	$ 59,928

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, 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

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2017	$ 17,738	$ 15,881	$ 8,826	$ 6,404	$ 48,849
Provision for loan losses	6,813	6,253	848	1,335	15,249
Loan recoveries	106	1,281	--	112	1,499
Loan charge-offs	(141)	(4,353)	(24)	(1,151)	(5,669)
Balance as of December 31, 2018	$ 24,516	$ 19,062	$ 9,650	$ 6,700	$ 59,928
Ending balance: individually evaluated for impairment	$ 1,214	$ 7,252	$ 2,756	$ 2,809	$ 14,031
Ending balance: collectively evaluated for impairment	$ 23,302	$ 11,810	$ 6,894	$ 3,891	$ 45,897
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2018	$ 9,282,263	$ 4,034,439	$ 3,646,959	$ 1,944,053	$ 18,907,714
Ending balance: individually evaluated for impairment	$ 70,638	$ 36,265	$ 7,702	$ 18,994	$ 133,599
Ending balance: collectively evaluated for impairment	$ 9,211,625	$ 3,998,174	$ 3,639,257	$ 1,925,059	$ 18,774,115

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 unamortized adjustments to fair value on loans acquired through the merger 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	**2020**	2019	2018
Balance at beginning of year	**$ 27,807**	$ 18,496	$ 30,062
Originations	**145,584**	136,620	114,996
Proceeds	**(122,135)**	(127,275)	(126,576)
Fair value adjustments	**285**	(34)	14
Balance at end of year	**$ 51,541**	$ 27,807	$ 18,496

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, $1.2 billion, and $995.1 million at December 31, 2020, 2019, and 2018, 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 $19.2 million, $14.1 million, and $5.5 million, were fully guaranteed by Farmer Mac, SBA, or USDA at December 31, 2020, 2019, and 2018, respectively.

Additional Held-to-Maturity Investment Securities Information

(dollars in thousands) **As of December 31, 2020**	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted 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 Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted 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%

As of December 31, 2018	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
MBS and bonds	$ 936,645	$ 3,749	$ (15,803)	$ 924,591	4.2%
ABS	58,495	166	(1,414)	57,247	4.2%
Total	$ 995,140	$ 3,915	$ (17,217)	$ 981,838	4.2%

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $33.3 million, $44.2 million, and $36.3 million in 2020, 2019, and 2018, respectively.

Contractual Maturities of Held-to-Maturity Investment Securities

(in thousands) **As of December 31, 2020**	Amortized Cost
Less than one year	**$ 633**
One to five years	**14,384**
Five to ten years	**239,882**
More than ten years	**894,539**
Total	**$ 1,149,438**

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, 2020	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
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	
As of December 31, 2019	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
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)

	Less than 12 months		Greater than 12 months	
As of December 31, 2018	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS and bonds	$ 57,337	$ (551)	$ 619,610	$ (15,252)
ABS	14,527	(458)	27,460	(956)
Total	$ 71,864	$ (1,009)	$ 647,070	$ (16,208)

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, 2020, 2019, or 2018.

Additional Available-for-Sale Investment Securities Information

(in thousands)

For the year ended December 31	**2020**	2019	2018
Proceeds from sales	**$ 37,020**	$ 60,481	$ 86,727
Realized losses on sales, net	**(181)**	(635)	(511)

The investment portfolio is evaluated for other-than-temporary impairment. For the years ended December 31, 2020, 2019, and 2018, we have not recognized any impairment on our investment securities portfolio.

NOTE 6: INVESTMENT IN AGRIBANK

As of December 31, 2020, 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.

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	**2020**	2019	2018
Line of credit	**$ 27,000,000**	$ 22,000,000	$ 22,000,000
Outstanding principal under the line of credit	**20,467,861**	17,940,024	16,751,484
Interest rate	**1.3%**	2.5%	2.7%

Our note payable was scheduled to mature on September 30, 2021. However, it was renewed early for $27.0 billion with a maturity date of 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, 2020, and throughout the year, we were not declared in default under any GFA covenants or provisions.

NOTE 8: 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 has 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. In addition, this change had no material impact on our capital ratios.

Regulatory Capitalization Requirements

Regulatory Capital Requirements and Ratios

As of December 31	**2020**	2019	2018	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:						
Common equity tier 1 ratio	**14.3%**	15.0%	14.7%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**14.7%**	15.5%	15.2%	6.0%	2.5%	8.5%
Total capital ratio	**15.2%**	15.9%	15.6%	8.0%	2.5%	10.5%
Permanent capital ratio	**15.0%**	15.9%	15.7%	7.0%	N/A	7.0%
Non-risk-adjusted:						
Tier 1 leverage ratio	**14.8%**	15.4%	15.3%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**14.6%**	14.8%	14.2%	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 preferred stock, which is $1,000 par value.

	Number of Shares		
As of December 31	**2020**	2019	2018
Class B common stock (at-risk)	**6,499,343**	6,287,297	6,356,673
Class E participation certificates (at-risk)	**269,096**	260,031	255,711
Series A-1 preferred stock	**100,000**	100,000	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.

On May 30, 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. Series A-1 preferred stockholders do not have any voting rights, but may appoint two board observers after six unpaid dividend payments.

The Series A-1 preferred stock is 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 preferred stock is senior to outstanding Class B, Class C, or Class D common stock, Class E participation certificates, and patronage equities. The Series A-1 preferred stock has 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 class of stock. However, no stock dividends have been declared to date other than Series A-1 preferred stock dividends.

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, 2020, 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 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 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 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 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 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 preferred stock offering documents.

Patronage Distributions

Patronage 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 $197.0 million at December 31, 2020, for our cash patronage and nonqualified patronage programs. The cash patronage distributions of $145.0 million are expected to be paid in cash during 2021. 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 2021, and will also include $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. We accrued patronage distributions of $151.7 million at December 31, 2018, for our cash patronage and nonqualified patronage programs. The cash patronage distributions of $99.3 million were paid in cash during 2019. The redemptions of $52.4 million of the nonqualified equities issued to former members of AgStar, 1st FCS, and Badgerland were paid in the first quarter of 2019.

Upon the merger, all allocated surplus issued by 1st FCS and Badgerland became allocated surplus in the merged Association. The allocated surplus held by 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 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, 2020, 2019, or 2018. 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 $6.8 million, $6.2 million, and $5.4 million of distributions on approved transactions in 2020, 2019, and 2018, 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 9.

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 9: INCOME TAXES

Provision for Income Taxes

Provision for Income Taxes

(dollars in thousands)

For the year ended December 31	**2020**	2019	2018
Current:			
Federal	**$ 6,677**	$ 5,574	$ (2,768)
State	**600**	436	774
Total current	**$ 7,277**	$ 6,010	$ (1,994)
Deferred:			
Federal	**$ 10,317**	$ 9,445	$ 5,853
State	**266**	1,853	125
Total deferred	**10,583**	11,298	5,978
Provision for income taxes	**$ 17,860**	$ 17,308	$ 3,984
Effective tax rate	**3.9%**	4.2%	1.0%

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

(in thousands)

For the year ended December 31	**2020**	2019	2018
Federal tax at statutory rates	**$ 96,128**	$ 86,925	$ 85,644
State tax, net	**2,138**	1,698	906
Patronage distributions	**(14,044)**	(13,333)	(15,825)
Effect of non-taxable entity	**(66,385)**	(61,123)	(63,073)
Other prior year adjustment	**23**	3,141	(3,668)
Provision for income taxes	**$ 17,860**	$ 17,308	$ 3,984

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	**2020**	2019	2018
Allowance for loan losses	**$ 11,033**	$ 9,529	$ 7,522
Postretirement benefit accrual	**977**	980	965
Merger fair value adjustment	**(9)**	967	1,242
Deferred fee income, net	**300**	300	403
Accrued incentive	**1,718**	1,421	1,396
Leasing related, net	**(29,582)**	(19,594)	(12,366)
Accrued patronage income not received	**(5,431)**	(4,823)	--
Accrued pension asset	**(6,414)**	(5,201)	(3,845)
Depreciation	**(18)**	16	86
Other assets	**1,344**	906	398
Other liabilities	**(638)**	(638)	(640)
Deferred tax liabilities, net	**$ (26,720)**	$ (16,137)	$ (4,839)
Gross deferred tax assets	**$ 15,372**	$ 14,119	$ 12,012
Gross deferred tax liabilities	**$ (42,092)**	$ (30,256)	$ (16,851)

A valuation allowance for the deferred tax assets was not necessary at December 31, 2020, 2019, or 2018.

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 $1.5 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 2017. In addition, we have concluded that we have taken no uncertain income tax positions at December 31, 2020, that would result in recording an accrual.

NOTE 10: 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 2020 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	2020	2019	2018
Unfunded liability	**$ 169,640**	$ 220,794	$ 274,450
Projected benefit obligation	**1,563,421**	1,421,126	1,272,063
Fair value of plan assets	**1,393,781**	1,200,332	997,613
Accumulated benefit obligation	**1,426,270**	1,298,942	1,125,682

For the year ended December 31	2020	2019	2018
Total plan expense	**$ 42,785**	$ 36,636	$ 51,900
Our allocated share of plan expenses	**12,357**	10,465	14,578
Contributions by participating employers	**90,000**	90,000	90,000
Our allocated share of contributions	**25,005**	24,462	24,588

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.

Benefits paid to participants in the District were $70.9 million in 2020. 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 2021 is $90.0 million. Our allocated share of these pension contributions is expected to be $25.3 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	2020	2019	2018
Our unfunded liability	**$ 24,290**	$ 18,482	$ 17,103

For the year ended December 31	2020	2019	2018
Our allocated share of plan expenses	**$ 2,306**	$ 2,432	$ 1,650
Our cash contributions	**1,839**	1,687	1,691

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 $9.9 million, $8.6 million, and $8.1 million in 2020, 2019, and 2018, respectively. These expenses were equal to our cash contributions for each year.

NOTE 11: 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. FCA Regulations also require disclosure of a loan to a senior officer or director, to certain family members, or to any organization affiliated with such person that involves more than the normal risk of collectability.

Loans to a relative of Director Stephanie Wise are adversely classified. Director Wise is a cosigner on these loans. The loans were classified as substandard during 2020 as they were deemed to have more than the normal risk of collectability due to operating losses, which were deemed to create inadequate repayment capacity. The purpose of the loans to the relative's operation is to finance real estate and general operations. As of December 31, 2020, the loans had a total principal balance of $6.2 million. The peak principal balance outstanding on these loans during the year ended December 31, 2020, was $6.5 million. Notwithstanding the adverse classification, the loans remain current with no amount past due as of December 31, 2020, and are adequately secured. The Association bylaw requirement was met that requires the submission of a plan designed to "substantially improve" the operation's financial position with the overall objective to classify the loans as acceptable within a reasonable time. Director Wise's other loans (that is, those not associated with her relative) remain acceptably classified and do not involve more than the normal risk of collectability.

Related Party Loans Information

(in thousands)

As of December 31		2020		2019		2018
Total related party loans	**$**	**43,799**	$	59,294	$	49,504
For the year ended December 31		**2020**		2019		2018
Advances to related parties	**$**	**21,482**	$	33,228	$	20,947
Repayments by related parties		**21,210**		34,882		21,841

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 received from AgriBank, which includes a partnership distribution from AgDirect, LLP, was $157.0 million, $144.4 million, and $131.7 million in 2020, 2019, and 2018, respectively. Patronage income for 2019 was paid in cash and AgriBank stock. Patronage income for 2020 and 2018 was paid in cash.

In addition, we received compensation from AgriBank for servicing loans for the years ended 2020, 2019, and 2018 of $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, 2020, we purchased certain business services from AgriBank. 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 offered by 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		**2020**		2019		2018
Investment in AgriBank	$	**662,203**	$	623,330	$	567,596
Investment in AgDirect, LLP		**24,180**		18,377		17,595
Investment in SunStream		**5,625**		--		--
Investment in Foundations		**154**		154		154
For the year ended December 31		**2020**		2019		2018
AgriBank District purchased services	$	**4,611**	$	4,352	$	4,359

NOTE 12: 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 that may be recognized in 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, 2020, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $5.4 billion. Additionally, we had $74.7 million of issued standby letters of credit and $15.1 million of other commitments as of December 31, 2020.

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.

We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). As of December 31, 2020, our total commitment is $94.5 million of which $64.6 million is unfunded, with varying commitment end dates through December 2030. Certain commitments may have an option to extend under certain circumstances.

NOTE 13: 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, 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. We also hedge available-for-sale investments. However, there were no available-for-sale investments outstanding at December 31, 2020, 2019, or 2018. 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. As of December 31, 2018, we had $28.0 million of forward commitments to sell, hedging $18.5 million of mortgage loans held for sale and $11.6 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 $1.3 million, $265 thousand, and $1.8 million and losses of $5.5 million, $1.1 million, and $1.2 million relating to net fair value adjustments and sales in 2020, 2019, and 2018, respectively. These amounts were included in "Fee and other non-interest income" in the Consolidated Statements of Comprehensive Income.

NOTE 14: 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

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

Loans Held For Sale: The loans held for sale portfolio is held at fair value. Fair value is based on quoted market prices, where available, or the prices for other similar mortgage loans with similar characteristics. As necessary, these prices are adjusted for typical securitization activities, including servicing value, portfolio composition, market conditions, and liquidity. We had loans held for sale of $51.5 million, $27.8 million, and $18.5 million, as of December 31, 2020, 2019, and 2018, respectively, which were valued using Level 3 inputs. Total fair value gains related to these loans of $476 thousand, $192 thousand, and $226 thousand, in 2020, 2019, and 2018, respectively were recognized in “Fee and other non-interest income” in the Consolidated Statements of Comprehensive Income.

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. We had no outstanding available-for-sale investment securities at December 31, 2020, 2019, and 2018. During the year ended December 31, 2020, 2019, and 2018 we sold available-for-sale investment securities with total sales proceeds of $37.0 million, $60.5 million, and $86.7 million, resulting in a loss of $181 thousand, $635 thousand, and $511 thousand, in 2020, 2019, or 2018, 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 $62.8 million, $47.5 million, and $28.0 million, as of December 31, 2020, 2019, and 2018, 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 loss of $4.3 million and $804 thousand in 2020 and 2019, respectively, compared to a net gain of $583 thousand in 2018. These were included in “Fee and other non-interest income” in the Consolidated Statements of Comprehensive Income.

Non-Recurring

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, 2020	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	**$ --**	**$ --**	**$ 38,417**	**$ 38,417**
Other property owned	**--**	**--**	**4,106**	**4,106**

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

As of December 31, 2018	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$ 24,226	$ 24,226
Other property owned	--	--	210	210

NOTE 15: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 1 2021, 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 2020 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	Leased	Commercial Unit	Baldwin	Owned	Branch
Bourbonnais	Leased	Branch	Beaver Dam	Owned	Branch
Carthage	Leased	Contact Office	Burlington	Owned	Branch
Edwards	Owned	Branch	Chilton	Owned	Branch
Freeport	Owned	Branch	Dodgeville	Owned	Branch
Geneseo	Owned	Branch	Fond du Lac	Owned	Branch
Lewistown	Leased	Contact Office	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
Normal	Owned	Corporate Facility	Prairie du Sac	Owned	Branch
Normal	Leased	Branch	Rice Lake	Owned	Branch
Oregon	Owned	Branch	Sparta	Owned	Branch
Ottawa	Owned	Branch	Sun Prairie	Owned	Corporate Headquarters
Pontiac	Leased	Branch	Viroqua	Leased	Branch
Princeton	Owned	Branch			
Quincy	Owned	Branch			
Rock Falls	Leased	Branch			
Rushville	Leased	Contact Office			
Sycamore	Leased	Branch			
Woodstock	Leased	Contact Office			
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 12 to the Consolidated Financial Statements in this Annual Report. We were not subject to any enforcement actions as of December 31, 2020.

Additional Regulatory Capital Disclosure

Regulatory Capital Ratios Pursuant to FCA Regulation 620.5

As of December 31	2015	2014	2013	2012
Permanent capital ratio	14.8%	15.7%	15.4%	13.9%
Total surplus ratio	14.5%	15.4%	15.2%	13.7%
Core surplus ratio	12.3%	12.9%	12.5%	10.9%

Refer to the Consolidated Five-Year Summary of Selected Financial Data at the beginning of this Annual Report for capital ratio calculations for the past five years.

Description of Capital Structure

Information regarding our capital structure is discussed in Note 8 to the Consolidated Financial Statements in this Annual Report.

Description of Liabilities

Information regarding liabilities is discussed in Notes 7, 8, 9, 10, and 12 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, 2020, including business experience during the last five years

Name	Term[1]	Principal occupation and other business affiliations
Dale Holmgren Chairperson	2020 - 2024	**Principal occupation:** Self-employed grain and livestock farmer **Other business affiliations:** President: Svin Hus, Inc., a swine operation
David Peters Vice Chairperson	2020 - 2024	**Principal occupation:** Self-employed wheat, soybean, and corn farmer **Other business affiliations:** Treasurer: Kankakee County Soil and Water Conservation District Trustee: Manteno Township Fire Protection District Director: AgriBank District Farm Credit Council, a trade association representing the AgriBank District
Rodney Bosma	2019 - 2023	**Principal occupation:** Self-employed grain and livestock farmer
Ann Broome Outside Director	2019 - 2023	**Principal occupation:** Self-employed Human Resources Consultant **Other business affiliations:** President: Sienna Group, Human Resources Consulting

Name	Term[1]	Principal occupation and other business affiliations
Allyn Buhrow	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, and advocacy council Treasurer: Lee County Farm Bureau, an advocacy council Member: Illinois Committee for Agricultural Education, an education advisory committee
Mark Cade	2020 - 2024	**Principal occupation:** Self-employed beef and grain farmer Owner: Windy Ridge Properties, LLC, rental properties
Kaye Compart	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	2018 - 2021	**Principal occupation:** Self-employed grain farmer and custom heifer producer
Tim Evert	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	2018 - 2021	**Principal occupation:** President: Fischer Dairy, a grain and beef farm President: Fischer Ridge, LLC, a land partnership
Kathleen Hainline Outside Director	2018 - 2021	**Principal occupation:** Consultant: agriculture risk management
Greg Nelson	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	2018 - 2022	**Principal occupation:** Self-employed grain and livestock farmer **Other business affiliations:** Supervisor: Elba Township, government Trustee: Knox County South-Multi Township, government
Greg Pollesch, CPA Outside Director	2019 - 2022	**Principal occupation:** Director and President: Galloway Company, a sweetened condensed milk and ice cream mix manufacturer Owner and Manager: 82 West LLC, real estate investment group **Other business affiliations:** Director: Wisconsin Dairy Producers Association, an industry trade group Director: Wisconsin Producer Security Fund, a trust fund
Stephanie Wise	2018 - 2021	**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
Dan Zimmerman	2018 - 2021	**Principal occupation:** Vice President: Ever Green Growers Inc., a farming and elevator business Partner: Golden Grain, LLC, a farming operation

[1]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 2020, the Board of Directors' per diem rate was $500 per day plus travel time compensation for each meeting attended. The per diem rate was increased to $515 per day, effective January 1, 2021. The Board of Directors regular monthly meetings are normally two days in length. In addition, they hold two, three-day planning sessions annually. In 2020, each Director received a $1,750 per month retainer fee, with the exception of the Board chairperson who received a $2,150 per month retainer fee and the Board vice chairperson and Board committee chairpersons who received $1,850 per month retainer fee. Effective, January 1, 2021, the per month retainer fee was increased to $1,800 for each Director, with the exception of the Board chairperson retainer which increased to $2,200 per month, and the Board vice chairperson and Board committee chairpersons retainers increasing to $1,900 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 2020 follows:

Name	Number of Days Served: Board Meetings	Number of Days Served: Other Official Activities	Compensation Paid for Service on a Board Committee	Name of Committee	Total Compensation Paid in 2020[1]
Kevin Aves[2]	--	--	$ --		$ 9,685
Rodney Bosma	17	20	3,000	Enterprise Risk	48,617
Ann Broome	17	15	3,500	Compensation and Governance	58,759
Allyn Buhrow	16	16	3,500	Compensation and Governance	45,135
Mark Cade	17	26	6,500	Audit and Finance	66,202
Kaye Compart	14	23	2,500	Enterprise Risk	62,473
Terry Ebeling[2]	--	--	--		12,574
Dan Erickson	17	20	3,000	Enterprise Risk	64,097
Tim Evert	17	14	3,500	Compensation and Governance	54,871
Larry Fischer	17	22	6,500	Audit and Finance	60,758
Kathleen Hainline	17	15	6,500	Audit and Finance	60,978
Dale Holmgren	17	14	3,000	Enterprise Risk	61,853
Lori Meinholz[3]	8	11	2,000	Compensation and Governance	31,909
Greg Nelson	17	14	3,000	Enterprise Risk	59,192
Roger Newell	17	27	6,500	Audit and Finance	65,232
David Peters	17	16	3,000	Enterprise Risk	59,090
Greg Pollesch	17	14	6,500	Audit and Finance	52,437
Stephanie Wise	17	15	3,500	Compensation and Governance	58,307
Dan Zimmerman	17	22	3,500	Compensation and Governance	60,189
					$ 992,358

[1] Compensation in 2020 includes tax fringe benefits, if applicable, and variable retainer earned during 2019 and paid in 2020.

[2] No longer on the Board at December 31, 2019.

[3] No longer on the Board at December 31, 2020.

Senior Officers

Senior Officers as of December 31, 2020, 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
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

Name and Position	Business experience and other business affiliations
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
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

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 11 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 $182 thousand, $353 thousand, and $261 thousand in 2020, 2019, and 2018, 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, 2021, or at any time during 2020.

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 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 2020 were $542 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 fees of $2 thousand for accounting research software, 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.

2020 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 2020 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

2020 Results

(dollars in millions)

	Total Number of Loans		Total Volume of Loans		Total Number of New Loans		Total Volume of New Loans	
	#	%	$	%	#	%	$	%
Young Farmers	16,028	20.8%	3,275	14.5%	5,542	18.4%	1,174	12.9%
Beginning Farmers	21,091	27.3%	4,760	21.1%	7,464	24.8%	1,919	21.1%
Small Farmers	34,631	44.9%	4,611	20.5%	13,107	43.6%	1,799	19.8%

2020 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	20.8%	19.5%	14.5%	14.3%	18.4%	17.2%	12.9%	13.2%
Beginning Farmers	27.3%	24.5%	21.1%	21.8%	24.8%	20.3%	21.1%	17.2%
Small Farmers	44.9%	42.8%	20.5%	19.3%	43.6%	39.2%	19.8%	14.1%

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 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.

This page intentionally left blank.


640FD

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

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