Quarterly Report
March 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Compeer Financial, ACA and its subsidiaries Compeer Financial, FLCA and Compeer Financial, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2017, (2017 Annual Report).

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

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2600 Jenny Wren Trail
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MERGER ACTIVITY

Effective July 1, 2017, 1st Farm Credit Services, ACA (1st FCS) and Badgerland Financial, ACA (Badgerland) merged into AgStar Financial Services, ACA (AgStar). AgStar acquired 100% of the assets and liabilities of 1st FCS and Badgerland with the resulting merged association being known as Compeer Financial, ACA (Compeer Financial). The acquisition method of accounting requires the financial statement presentation of combined balances as of the date of merger, but not for previous periods. The Consolidated Statements of Condition reflects the merged Association at March 31, 2018, and December 31, 2017. The Consolidated Statements of Comprehensive Income and the Consolidated Statements of Changes in Equity reflects the results of AgStar for the three months ended March 31, 2017, and the merged Association for the three months ended March 31, 2018.

FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2017 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

Economic and agricultural conditions changed modestly throughout the first quarter of 2018. The credit portfolio includes several diverse sectors in agriculture with primary industries of grain, dairy, and swine production. Additionally, rural housing, energy, and food processing and distribution comprise significant portfolio segments. Profitability prospects remain challenging, particularly for grain and dairy producers. While many grain clients possess significant equity positions, tight margins are taking their toll on client financial health. The expectation is for financial positions to erode further as lower margins persist into 2018 and beyond.

The United States Department of Agriculture (USDA) projects net farm income for 2018 at $59.5 billion, a $4.3 billion, or 6.7% decrease from 2017. This projection follows declines in net farm income in 2014-16 and a slight increase in 2017.

Within the April 10, 2018, World Agricultural Supply and Demand Estimates, the USDA projects 2017/18 U.S. corn production at 14.6 billion bushels, in line with the January projection, yet 3.6% fewer than the estimated 2016/17 production. Projected average yields are a record 176.6 bushels per acre with projected ending stocks at 2.18 billion bushels. The estimate for 2017/18 season-average corn price received by producers is at $3.20 to $3.50 per bushel compared to an estimated $3.36 for the previous crop year. The USDA projection for 2017/18 soybean production is 4.4 billion bushels, 2.2% more than estimated 2016/17 production, with yield per harvested acre at 49.1 bushels. The 2017/18 season-average soybean price is projected at $9.10 to $9.50 per bushel compared to an estimated $9.47 per bushel for the previous crop year.

The USDA released the 2018 Prospective Plantings report on March 29, 2018. Corn intentions of 88 million acres are down 2% from 2017. Soybean intentions of 89 million acres are down 1% from 2017. Planting intentions will continue to evolve as planting weather, the export market, and South American crop forecasts impact domestic carryout volumes heading into the planting season.

The January-February 2018 national milk production is up 1.8% over 2017 production. February milk cows were up 45,000 head from 2017 and 1,000 head more than January. Tight processor capacity continues to result in lower basis payments, particularly in segments of the Upper Midwest. The USDA forecasts an average price received by farmers for all milk of $15.60 to $16.10 per cwt in 2018, comparable to the January forecast levels and significantly below the $17.63 received during 2017. The USDA's Farm Service Agency announced a December 2017 Margin Protection Program-Dairy Margin of about $9.87 per cwt, down from $10.00 in October 2017. At a potential dairy margin of $8 or less, government insurance payments are possible depending on the level of coverage chosen by the dairy producer. We expect many dairy operators will be at or below break-even in 2018 unless the spot price of milk materially changes.

Hog margins appear to be break-even to slightly profitable through much of 2018. As of March 29, 2018, there were 72.9 million hogs and pigs on U.S. farms, up 3% from a year ago though down slightly from December, according to the Quarterly Hogs and Pigs report published by the USDA's National Agricultural Statistics Service. Hog producers intended to farrow 3.1 million sows during the December to February 2018 quarter, up 2% from the same period a year ago. The protracted strength of the U.S. dollar going into 2017 had a more limited impact on exports than originally expected. The USDA pork exports for 2017 were significantly higher compared to 2016. Forecast for 2018 is a 3% increase. Geopolitical concerns including trade agreements such as NAFTA or tariff issues with countries like Mexico or China could significantly impact the industry and the USDA forecast.

After a number of years of steady increase, farmland values in much of our service territory saw moderation or even steady decline in the past few years in response to lower commodity prices. For instance, according to a USDA August 2017 survey, cropland values in Illinois declined 1.4% from a year earlier. However, despite continued commodity price weakness, certain areas have seen an early trend of stabilizing. In the same USDA survey, Minnesota increased 1.1%, and Wisconsin increased 9.5%. Internal assessments return similar results for Minnesota, however indicate only modest increases for Wisconsin. Nevertheless, given solid net worth positions and conservative borrowing characteristics, we believe that U.S. agriculture is positioned to handle a further decline in land values without enduring significant financial stress and hardship.

The economy continues to generate a number of positive economic signals for the housing market. Home ownership in the U.S. is now 64.2% which is just off 50 year lows. According to the CoreLogic Home Price Index, home prices nationwide increased by 6.6% year over year in December 2017 and forecasts prices will rise 4.3% over the following 12 months. Additionally, the U.S. Bureau of Labor Statistics reported that the national unemployment remained at 4.1%. The current economy, relatively low interest rates, and housing prices have made the environment favorable for new home buyers.

Some of our core credit objectives include working with clients to promote risk management, ensure high quality financial statements and production reports, encourage disciplined marketing plans, and provide individualized servicing plans and strategies. We continue to be involved and support positive legislative changes for agriculture and rural America.

LOANS HELD TO MATURITY

Loans Held to Maturity

Loans held to maturity were $17.7 billion at March 31, 2018, a decrease of $10.8 million from December 31, 2017. The relatively small decrease was driven by seasonality in our production agriculture sectors offset by increases in Agribusiness and net participations purchased.

Portfolio Credit Quality

The credit quality of our portfolio remained relatively stable from December 31, 2017. Adversely classified loans increased to 2.6% of the portfolio at March 31, 2018, from 2.4% of the portfolio at December 31, 2017. The increase was due to a continued overall downturn in the agricultural economy, led by stress in the grain and dairy sectors. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, Federal Agricultural Mortgage Corporation and government agency guarantee programs are used to reduce the risk of loss. At March 31, 2018, $1.4 billion of our loans were, to some level, guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	**March 31 2018**	December 31 2017
Loans:		
Nonaccrual	**$ 106,451**	$ 90,464
Accruing restructured	**11,925**	12,121
Accruing loans 90 days or more past due	**12,229**	133
Total risk loans	**130,605**	102,718
Other property owned	**867**	954
Total risk assets	**$ 131,472**	$ 103,672
Total risk loans as a percentage of total loans	**0.7%**	0.6%
Nonaccrual loans as a percentage of total loans	**0.6%**	0.5%
Current nonaccrual loans as a percentage of total nonaccrual loans	**42.3%**	38.0%
Total delinquencies as a percentage of total loans	**1.0%**	0.7%

Note: Accruing loans include accrued interest receivable.

Our risk assets have increased from December 31, 2017, but remained at acceptable levels. Despite the increase in risk assets, total risk loans as a percentage of total loans were well within our established risk management guidelines.

The small increase in nonaccrual loans was primarily due to Capital Markets activity in the energy sector on a small number of loans. Overall, nonaccrual loans remained at an acceptable level at March 31, 2018, and December 31, 2017.

The increase in accruing loans 90 days or more past due was primarily due to loans in our Core Markets portfolio. 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 were eligible to remain in accruing status.

The increase in total delinquencies as a percentage of total loans was primarily driven by activity in the Core Markets portfolio. This measure can be cyclical as we generally see an increase during renewal season.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. 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.

Allowance Coverage Ratios

As of:	**March 31 2018**	December 31 2017
Allowance as a percentage of:		
Loans	**0.3%**	0.3%
Nonaccrual loans	**49.4%**	54.0%
Total risk loans	**40.3%**	47.6%

The increase in our allowance for loan losses from December 31, 2017, was due to provision expense recorded primarily to reflect the deterioration in our grain portfolio. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at March 31, 2018.

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 homes 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. At March 31, 2018, the volume in this program was $15.4 million, a $14.6 million decrease from December 31, 2017. The decrease in loans held for sale was the result of loans being sold to and securitized by a third party investor in the quarter and partially offset by loans held for sale being originated during the quarter.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the three months ended March 31	**2018**	2017
Net income	**$ 102,978**	$ 36,137
Return on average assets	**2.1%**	1.6%
Return on average equity	**12.1%**	10.9%

Changes in the chart above relate directly to:

- Merger of 1st FCS, AgStar, and Badgerland into Compeer Financial
- Changes in income discussed below
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Funding, Liquidity, and Capital section

Changes in Significant Components of Net Income

(in thousands)

For the three months ended March 31	**2018**	2017	**Increase (decrease) in net income**
Net interest income	**$ 117,991**	$ 56,222	**$ 61,769**
Provision for loan losses	**3,673**	1,330	**(2,343)**
Patronage income	**24,303**	7,552	**16,751**
Other income, net	**31,529**	10,604	**20,925**
Operating expenses	**64,480**	32,105	**(32,375)**
Provision for income taxes	**2,692**	4,806	**2,114**
Net income	**$ 102,978**	$ 36,137	**$ 66,841**

Changes in Net Interest Income

(in thousands) For the three months ended March 31	2018 vs 2017
Changes in volume	$ 63,877
Changes in interest rates	(621)
Changes in asset securitization	30
Changes in nonaccrual income and other	(1,517)
Net change	$ 61,769

The change in the provision for loan losses was primarily driven by the merger and the resulting size of the portfolio.

The change in patronage income was primarily due to the following:

- An increase in patronage received from AgriBank due to a higher average balance on our note payable and a higher patronage rate compared to the prior year. This was primarily driven by the merger of Compeer Financial.
- An increase in patronage income received on loans in the AgriBank Asset Pool Program due to a higher average balance on our portfolio in the AgriBank Asset Pool Program compared to the prior year. In addition, the earnings on loans in the AgriBank Asset Pool Program increased due the share of distributions from Allocated Insurance Reserve Accounts (AIRA) related to the participations sold to AgriBank of which we received $979 thousand. These reserve accounts were established in previous years by the Farm Credit System Insurance Corporation (FCSIC) when premiums collected increased the level of the Insurance Fund beyond the required 2% of insured debt. There were no distributions in 2017.
- An increase in the wholesale spread on our note payable, which is returned as patronage.

The change in other income was primarily due to our share of distributions from AIRA of $10.9 million. These reserve accounts were established in previous years by FCSIC when premiums collected increased the level of the Insurance Fund beyond the required 2% of insured debt. There were no distributions in 2017. In addition, we saw increases in other income related to the merger in 2017 with other income as of March 31, 2018, reflecting those of the merged organization. The most significant increases were in crop insurance income and loan origination fees. We originated rural home loans for resale in the secondary market. We sold loans in the secondary market totaling $44.4 million through March 31, 2018, compared to $10.7 million for the same period in 2017. The fee income from this activity totaled $154 thousand for the three months ended March 31, 2018, compared to $228 thousand for the same period of 2017.

The change in operating expenses was primarily related to the merger in 2017 with the operating expenses as of March 31, 2018, reflecting those of the merged organization. The primary driver in the overall operating expenses increase was an increase in salaries and employee benefits expense due to an overall larger organization.

The decrease in provision for income taxes was related to multiple factors. While we did have more overall taxable income due to the merger, we were able to offset that with benefits from the recent tax reform and deductions from our patronage program.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matures on September 30, 2018, at which time the note will be renegotiated. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from unallocated surplus.

The components of cost of funds associated with our note payable include:

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

We were not subject to a risk premium at March 31, 2018, or December 31, 2017.

Total equity increased $37.3 million from December 31, 2017, primarily due to net income for the period, partially offset by the redemption of allocated patronage, patronage distribution accruals, and preferred stock dividend accruals. Accumulated other comprehensive (loss) income is the impact of prior service cost and unamortized actuarial gain/loss related to the Pension Restoration Plan. Refer to Note 13 in our 2017 Annual Report for more information on the Pension Restoration Plan.

The Farm Credit Administration (FCA) Regulations require us to maintain a certain level 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. Refer to Note 11 in our 2017 Annual Report for a more complete description of these ratios.

Select Capital Ratios

As of:	March 31 2018	December 31 2017	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**14.5%**	14.2%	4.5%	2.5%*	7.0%
Tier 1 capital ratio	**15.1%**	14.7%	6.0%	2.5%*	8.5%
Total capital ratio	**15.5%**	15.1%	8.0%	2.5%*	10.5%
Permanent capital ratio	**15.5%**	15.7%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**15.3%**	15.0%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**13.9%**	13.8%	1.5%	N/A	1.5%

*The 2.5% capital conservation buffer over risk-adjusted ratio minimums will be phased in over three years under the FCA capital requirements.

The capital adequacy ratios are directly impacted by the changes in capital as more fully explained in this section and the changes in assets as discussed in the Loan Portfolio section.

RELATIONSHIP WITH AGRIBANK

Purchased Services

During 2016, District associations and AgriBank conducted research related to repositioning many business services offered by AgriBank into a separate entity jointly owned by AgriBank and participating associations. The long-term strategic objective of this initiative is to increase scale, improve operating efficiency, and enhance technology and business services. The proposed service entity will be named SunStream Business Services. An application to form the service entity was submitted to the FCA for approval in May 2017, and the FCA continues its due diligence on the charter request.

CERTIFICATION

The undersigned have reviewed the March 31, 2018, Quarterly Report of Compeer Financial, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Mark W. Cade

Mark Cade
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

May 7, 2018

CONSOLIDATED STATEMENTS OF CONDITION

Compeer Financial, ACA
(in thousands)
(Unaudited)

As of:		**March 31 2018**		December 31 2017
ASSETS				
Loans held to maturity	**$**	**17,738,269**	$	17,749,021
Allowance for loan losses		**52,599**		48,849
Net loans held to maturity		**17,685,670**		17,700,172
Loans held for sale		**15,417**		30,062
Net loans		**17,701,087**		17,730,234
Unrestricted cash		**2,200**		2,200
Investment securities (including $33,986 and $0 at fair value)		**936,245**		879,258
Assets held for lease, net		**42,470**		41,368
Accrued interest receivable		**140,046**		151,801
Investment in AgriBank, FCB		**514,712**		514,712
Premises and equipment, net		**67,683**		65,148
Other property owned		**867**		954
Deferred tax assets, net		**2,905**		1,139
Other assets		**138,898**		158,537
Total assets	**$**	**19,547,113**	$	19,545,351
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**15,848,566**	$	15,847,060
Accrued interest payable		**86,986**		78,959
Patronage distribution payable		**67,536**		122,000
Other liabilities		**95,096**		85,695
Total liabilities		**16,098,184**		16,133,714
Contingencies and commitments (Note 5)				
EQUITY				
Preferred stock		**100,000**		100,000
Capital stock and participation certificates		**34,001**		34,213
Additional paid-in capital		**1,780,603**		1,780,603
Allocated surplus		**479,613**		523,252
Unallocated surplus		**1,061,724**		980,818
Accumulated other comprehensive loss		**(7,012)**		(7,249)
Total equity		**3,448,929**		3,411,637
Total liabilities and equity	**$**	**19,547,113**	$	19,545,351

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Compeer Financial, ACA
(in thousands)
(Unaudited)

	Three Months Ended	
For the period ended March 31	**2018**	2017
Interest income	**$ 204,979**	$ 91,021
Interest expense	**86,988**	34,799
Net interest income	**117,991**	56,222
Provision for loan losses	**3,673**	1,330
Net interest income after provision for loan losses	**114,318**	54,892
Other income		
Patronage income	**24,303**	7,552
Net operating lease income	**450**	397
Financially related services income	**11,688**	4,629
Allocated insurance reserve accounts distribution	**10,938**	--
Fee and miscellaneous income, net	**8,453**	5,578
Total other income	**55,832**	18,156
Operating expenses		
Salaries and employee benefits	**43,626**	21,340
Farm Credit System insurance	**3,464**	2,817
Other operating expenses	**17,390**	7,948
Total operating expenses	**64,480**	32,105
Income before income taxes	**105,670**	40,943
Provision for income taxes	**2,692**	4,806
Net income	**$ 102,978**	$ 36,137
Other comprehensive income		
Employee benefit plans activity	**$ 237**	$ --
Total other comprehensive income	**237**	--
Comprehensive income	**$ 103,215**	$ 36,137

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Compeer Financial, ACA
(in thousands)
(Unaudited)

	Preferred Stock	Capital Stock and Participation Certificates	Additional Paid-in Capital	Allocated Surplus	Unallocated Surplus	Accumulated Other Comprehensive (Loss) Income	Total Equity
Balance at December 31, 2016	$ 100,000	$ 15,934	$ --	$ 441,122	$ 758,412	$ --	$ 1,315,468
Net income	--	--	--	--	36,137	--	36,137
Transfer of allocated surplus to unallocated surplus	--	--	--	(41,286)	41,286	--	--
Redemption of allocated patronage	--	--	--	(95)	12	--	(83)
Preferred stock dividend	--	--	--	--	(1,688)	--	(1,688)
Unallocated surplus designated for patronage distributions	--	--	--	--	(7,227)	--	(7,227)
Capital stock and participation certificates issued	--	332	--	--	--	--	332
Capital stock and participation certificates retired	--	(431)	--	--	--	--	(431)
Balance at March 31, 2017	$ 100,000	$ 15,835	$ --	$ 399,741	$ 826,932	$ --	$ 1,342,508
Balance at December 31, 2017	$ 100,000	$ 34,213	$ 1,780,603	$ 523,252	$ 980,818	$ (7,249)	$ 3,411,637
Net income	**--**	**--**	**--**	**--**	**102,978**	**--**	**102,978**
Other comprehensive income	**--**	**--**	**--**	**--**	**--**	**237**	**237**
Redemption of allocated patronage	**--**	**--**	**--**	**(43,639)**	**16**	**--**	**(43,623)**
Preferred stock dividend	**--**	**--**	**--**	**--**	**(1,688)**	**--**	**(1,688)**
Unallocated surplus designated for patronage distributions	**--**	**--**	**--**	**--**	**(20,400)**	**--**	**(20,400)**
Capital stock and participation certificates issued	**--**	**577**	**--**	**--**	**--**	**--**	**577**
Capital stock and participation certificates retired	**--**	**(789)**	**--**	**--**	**--**	**--**	**(789)**
Balance at March 31, 2018	**$ 100,000**	**$ 34,001**	**$ 1,780,603**	**$ 479,613**	**$ 1,061,724**	**$ (7,012)**	**$ 3,448,929**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. Our accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the three months ended March 31, 2018, are not necessarily indicative of the results to be expected for the year ending December 31, 2018. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2017, (2017 Annual Report).

Effective July 1, 2017, 1st Farm Credit Services, ACA (1st FCS) and Badgerland Financial, ACA (Badgerland) merged into AgStar Financial Services, ACA (AgStar). AgStar acquired 100% of the assets and liabilities of 1st FCS and Badgerland with the resulting merged association being known as Compeer Financial, ACA (Compeer Financial). The acquisition method of accounting requires the financial statement presentation of combined balances as of the date of merger, but not for previous periods. The Consolidated Statements of Condition reflects the merged Association at March 31, 2018, and December 31, 2017. The Consolidated Statements of Comprehensive Income and the Consolidated Statements of Changes in Equity reflects the results of AgStar for the three months ended March 31, 2017, and the merged Association for the three months ended March 31, 2018.

Certain amounts in prior periods' financial statements have been reclassified to conform to the current period's presentation.

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

Recently Issued or Adopted Accounting Pronouncements

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

Standard and effective date	Description	Adoption status and financial statement impact
In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09 "Revenue from Contracts with Customers." This guidance was effective for public entities on January 1, 2018.	The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this guidance. The guidance sets forth the requirement for new and enhanced disclosures.	We adopted this guidance on January 1, 2018, using the modified retrospective approach, as the majority of the Association's revenues are not subject to the new guidance, the adoption of the guidance did not have a material impact on the financial condition, results of operations, equity, or cash flows.
In March 2017, the FASB issued ASU 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost." This guidance was effective for public entities on January 1, 2018.	This guidance requires that an employer disaggregate the service cost component from the other components of net benefit cost. Specifically, the guidance requires non-service cost components of net benefit cost to be recognized in a non-operating income line item of the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization.	We adopted this guidance on January 1, 2018. Non-service cost components of net benefit cost were reclassified from salaries and employee benefits to other operating expenses on the Statements of Comprehensive Income. The change in classification was not material. There were no changes to the Association's financial condition, cash flows, or financial statement disclosures.
In January 2016, the FASB issued ASU 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities." This guidance was effective for public business entities on January 1, 2018.	The guidance is intended to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The amendments address certain aspects of recognition, measurement, presentation, and disclosure of financial statements.	We adopted this guidance on January 1, 2018. The adoption of this guidance did not impact our financial condition, results of operations, or cash flows, but did impact the Association's fair value disclosures.
In February 2016, the FASB issued ASU 2016-02 "Leases." The guidance is effective for public entities in its first quarter of 2019 and early adoption is permitted.	The guidance modifies the recognition and accounting for lessees and lessors and requires expanded disclosures regarding assumptions used to recognize revenue and expenses related to leases.	We have no plans to early adopt this guidance. We have determined after preliminary review, this guidance will impact the combined financial condition, results of operations, and financial statement disclosures, and will have no impact on combined cash flows. We have initiated development and modification of certain procedures to adopt this guidance.

Standard and effective date	Description	Adoption status and financial statement impact
In June 2016, the FASB issued ASU 2016-13 "Financial Instruments – Credit Losses." This guidance is effective for public business entities for non-U.S. Securities Exchange Commission filers for the first quarter of 2021 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 have no plans to early adopt this guidance. We are currently evaluating the impact of the guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.

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

Loans by Type

(dollars in thousands)

As of:	**March 31, 2018**			December 31, 2017		
		Amount	%		Amount	%
Real estate mortgage	**$**	**8,573,212**	**48.3%**	$	8,668,049	48.9%
Production and intermediate-term		**3,670,136**	**20.7%**		4,389,478	24.7%
Agribusiness		**3,634,950**	**20.5%**		2,953,661	16.6%
Other		**1,859,971**	**10.5%**		1,737,833	9.8%
Total	**$**	**17,738,269**	**100.0%**	$	17,749,021	100.0%

The other category is primarily comprised of communication, energy, agricultural export finance, rural residential real estate, and water and waste water related loans as well as finance and conditional sales leases and bonds originated under our mission related investment authority.

Credit Quality

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

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

We had no loans categorized as loss at March 31, 2018, or December 31, 2017.

Credit Quality of Loans

(dollars in thousands)	Acceptable			Special Mention			Substandard/ Doubtful			Total		
As of March 31, 2018		Amount	%		Amount	%		Amount	%		Amount	%
Real estate mortgage	**$**	**8,112,301**	**93.8%**	**$**	**273,159**	**3.2%**	**$**	**262,922**	**3.0%**	**$**	**8,648,382**	**100.0%**
Production and intermediate-term		**3,385,442**	**91.3%**		**177,235**	**4.8%**		**146,186**	**3.9%**		**3,708,863**	**100.0%**
Agribusiness		**3,582,532**	**98.3%**		**37,769**	**1.0%**		**26,571**	**0.7%**		**3,646,872**	**100.0%**
Other		**1,796,179**	**96.3%**		**43,000**	**2.3%**		**26,325**	**1.4%**		**1,865,504**	**100.0%**
Total	**$**	**16,876,454**	**94.4%**	**$**	**531,163**	**3.0%**	**$**	**462,004**	**2.6%**	**$**	**17,869,621**	**100.0%**

	Acceptable			Special Mention			Substandard/ Doubtful			Total		
As of December 31, 2017		Amount	%		Amount	%		Amount	%		Amount	%
Real estate mortgage	$	8,200,416	93.8%	$	307,700	3.5%	$	234,407	2.7%	$	8,742,523	100.0%
Production and intermediate-term		4,065,241	91.6%		224,080	5.0%		149,225	3.4%		4,438,546	100.0%
Agribusiness		2,910,257	98.2%		27,844	0.9%		26,263	0.9%		2,964,364	100.0%
Other		1,709,360	98.0%		6,249	0.4%		27,680	1.6%		1,743,289	100.0%
Total	$	16,885,274	94.4%	$	565,873	3.2%	$	437,575	2.4%	$	17,888,722	100.0%

Note: Accruing loans include accrued interest receivable.

Delinquency

Aging Analysis of Loans

(in thousands) **As of March 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	**$ 47,878**	**$ 28,022**	**$ 75,900**	**$ 8,572,482**	**$ 8,648,382**	**$ 6,401**
Production and intermediate-term	**55,172**	**34,848**	**90,020**	**3,618,843**	**3,708,863**	**5,225**
Agribusiness	**575**	**3,181**	**3,756**	**3,643,116**	**3,646,872**	**54**
Other	**4,051**	**2,286**	**6,337**	**1,859,167**	**1,865,504**	**549**
Total	**$ 107,676**	**$ 68,337**	**$ 176,013**	**$ 17,693,608**	**$ 17,869,621**	**$ 12,229**

As of December 31, 2017	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	$ 38,159	$ 13,367	$ 51,526	$ 8,690,997	$ 8,742,523	$ --
Production and intermediate-term	30,306	26,566	56,872	4,381,674	4,438,546	133
Agribusiness	56	3,182	3,238	2,961,126	2,964,364	--
Other	4,563	1,538	6,101	1,737,188	1,743,289	--
Total	$ 73,084	$ 44,653	$ 117,737	$ 17,770,985	$ 17,888,722	$ 133

Note: Accruing loans include accrued interest receivable.

Risk Loans

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

Risk Loan Information

(in thousands) As of:	**March 31 2018**	December 31 2017
Volume with specific allowance	**$ 40,825**	$ 21,481
Volume without specific allowance	**89,780**	81,237
Total risk loans	**$ 130,605**	$ 102,718
Total specific allowance	**$ 9,751**	$ 8,811
For the three months ended March 31	**2018**	2017
Income on accrual risk loans	**$ 269**	$ 341
Income on nonaccrual loans	**2,590**	4,021
Total income on risk loans	**$ 2,859**	$ 4,362
Average risk loans	**$ 111,364**	$ 82,072

Note: Accruing loans include accrued interest receivable. In addition, risk loans include purchased credit-impaired loans.

We did not have any material commitments to lend additional money to borrowers whose loans were classified as risk loans at March 31, 2018.

Troubled Debt Restructurings (TDRs)

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

We completed TDRs of certain production and intermediate-term loans during the three months ended March 31, 2018, and 2017. Our recorded investment in these loans just prior to restructuring was $118 thousand and $106 thousand during the three months ended March 31, 2018, and 2017, respectively. Our recorded investment in these loans immediately following the restructuring was $118 thousand and $106 thousand during the three months ended March 31, 2018, and 2017, respectively. The recorded investment in the loan 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 type of modification included extension of maturity.

TDRs that Occurred Within the Previous 12 Months that Subsequently Defaulted During the Three Months Ended March 31

(in thousands)		2018		2017
Production and intermediate-term	$	287	$	89
Agribusiness		--		67
Total	$	287	$	156

TDRs Outstanding

(in thousands) As of:		March 31 2018		December 31 2017
Accrual status:				
Real estate mortgage	$	11,449	$	11,598
Production and intermediate-term		476		523
Agribusiness		--		--
Other		--		--
Total TDRs in accrual status	$	11,925	$	12,121
Nonaccrual status:				
Real estate mortgage	$	1,247	$	1,335
Production and intermediate-term		1,741		1,751
Agribusiness		91		91
Other		66		69
Total TDRs in nonaccrual status	$	3,145	$	3,246
Total TDRs:				
Real estate mortgage	$	12,696	$	12,933
Production and intermediate-term		2,217		2,274
Agribusiness		91		91
Other		66		69
Total TDRs	$	15,070	$	15,367

Additional commitments to lend to borrowers whose loans have been modified in a TDR were $1.5 million at March 31, 2018.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) Three months ended March 31		2018		2017
Balance at beginning of period	$	48,849	$	36,018
Provision for loan losses		3,673		1,330
Loan recoveries		395		386
Loan charge-offs		(318)		(156)
Balance at end of period	$	52,599	$	37,578

NOTE 3: INVESTMENT SECURITIES

We had held-to-maturity investment securities of $902.3 million at March 31, 2018, and $879.3 million at December 31, 2017. Our investment securities consisted of:

- Mortgage-backed securities (MBS) issued by the Federal Agricultural Mortgage Corporation (Farmer Mac) or guaranteed by the Small Business Administration (SBA) or by the United States Department of Agriculture (USDA)
- Asset-backed securities (ABS) guaranteed by SBA or USDA
- Municipal revenue bonds and corporate debt 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 our held-to-maturity investment, except $7.3 million as of March 31, 2018, and $12.2 million as of December 31, 2017, were fully guaranteed by Farmer Mac, SBA, or USDA.

Additional Held-to-Maturity Investment Securities Information

(dollars in thousands) **As of March 31, 2018**		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value	Weighted Average Yield
MBS	**$**	**811,936**	**$**	**1,694**	**$**	**(11,732)**	**$**	**801,898**	**4.0%**
ABS		**82,846**		**476**		**(1,331)**		**81,991**	**2.8%**
Bonds		**7,477**		**4**		**(24)**		**7,457**	**5.8%**
Total	**$**	**902,259**	**$**	**2,174**	**$**	**(13,087)**	**$**	**891,346**	**3.9%**

As of December 31, 2017		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value	Weighted Average Yield
MBS	$	775,599	$	695	$	(10,906)	$	765,388	3.8%
ABS		91,490		17		(1,538)		89,969	2.3%
Bonds		12,169		--		(49)		12,120	5.5%
Total	$	879,258	$	712	$	(12,493)	$	867,477	3.6%

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $8.2 million and $4.1 million for the three months ended March 31, 2018, and 2017, respectively.

Contractual Maturities of Held-to-Maturity Investment Securities

(in thousands) **As of March 31, 2018**		Amortized Cost
Less than one year	**$**	**2,042**
One to five years		**38,086**
Five to ten years		**45,233**
More than ten years		**816,898**
Total	**$**	**902,259**

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

(in thousands)	Less than 12 months				Greater than 12 months			
As of March 31, 2018		Fair Value		Unrealized Losses		Fair Value		Unrealized Losses
MBS	**$**	**338,343**	**$**	**(3,227)**	**$**	**239,580**	**$**	**(8,505)**
ABS		**30,163**		**(351)**		**12,278**		**(980)**
Bonds		**2,409**		**(24)**		**--**		**--**
Total	**$**	**370,915**	**$**	**(3,602)**	**$**	**251,858**	**$**	**(9,485)**

	Less than 12 months				Greater than 12 months			
As of December 31, 2017		Fair Value		Unrealized Losses		Fair Value		Unrealized Losses
MBS	$	438,480	$	(3,416)	$	256,692	$	(7,490)
ABS		61,565		(515)		15,493		(1,023)
Bonds		7,233		(33)		4,887		(16)
Total	$	507,278	$	(3,964)	$	277,072	$	(8,529)

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 over the maturity of each loan on a straight-line basis 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. At March 31, 2018, the majority of the $9.5 million unrealized loss greater than 12 months represents unamortized premium.

We had available-for-sale investment securities, consisting of MBS, with an amortized cost and fair value of $34.0 million and the contractual maturities were more than 10 years at March 31, 2018. We had no outstanding available-for-sale investment securities at December 31, 2017.

The investment portfolio is evaluated for other-than-temporary impairment. No investments within the portfolio were impaired as of March 31, 2018, and December 31, 2017.

NOTE 4: OTHER INVESTMENTS

We held non-controlling investments in venture capital equity funds of $10.0 million at March 31, 2018, and December, 31, 2017. These investments represent our stake in venture capital equity funds focused on the needs of rural start-up companies. We had no remaining commitment at March 31, 2018, or December 31, 2017. To date, no income has been distributed from the funds. We received no distributions from the funds during the three months ended March 31, 2018. We acquired this non-controlling investment in venture capital equity funds as a result of the merger with Badgerland.

We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). Our total commitment is $29.5 million with varying commitment end dates through September 2021. Certain commitments may have an option to extend under certain circumstances. Our investment in the RBICs are recorded in "Other assets" in the Consolidated Statements of Condition, and totaled $12.1 million at March 31, 2018, and $11.8 million at December 31, 2017.

The investments were evaluated for impairment. No investments were impaired as of March 31, 2018, and December 31, 2017.

NOTE 5: CONTINGENCIES AND COMMITMENTS

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

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

NOTE 6: 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 levels of inputs that may be used to measure fair value. Refer to Note 2 in our 2017 Annual Report 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 $15.4 million and $30.1 million as of March 31, 2018, and December 31, 2017, respectively, which were valued using Level 3 inputs. Total fair value gains related to these loans of $2 thousand and $35 thousand for the three months ended March 31, 2018, and 2017, respectively, were recognized in "Fee and miscellaneous income, net" 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 available-for-sale investments securities of $34.0 million at March 31, 2018, which were valued using Level 3 inputs. We had no outstanding available-for-sale investment securities at December 31, 2017. We had no sales of available-for-sale investment securities during the three months ended March 31, 2018, or 2017.

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 $61.8 million and $44.8 million as of March 31, 2018, and December 31, 2017, 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 fair value inputs. Net losses related to TBAs sold, combined with fair value gains on the TBAs, resulted in a net gain of $750 thousand for the three months ended March 31, 2018, compared to a net loss of $126 thousand for the same period of 2017. These were included in "Fee and miscellaneous income, net" 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 and related write-downs 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 independent appraisals and other 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 and related losses of foreclosed assets that were measured at fair value 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 independent appraisals and other market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

Assets Measured at Fair Value on a Non-recurring Basis

(in thousands)

	As of March 31, 2018			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	**$ --**	**$ --**	**$ 32,628**	**$ 32,628**
Other property owned	**--**	**--**	**1,025**	**1,025**
	As of December 31, 2017			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$ 13,304	$ 13,304
Other property owned	--	--	1,130	1,130

NOTE 7: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 7, 2018, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.