Badgerland Financial, ACA

Quarterly Report
June 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Badgerland Financial, ACA and its subsidiaries Badgerland Financial, FLCA and Badgerland 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, 2016 (2016 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 members' investment. To request free copies of the AgriBank or the AgriBank District financial reports or additional copies of our report, 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
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MERGER ACTIVITY

We are committed to the success of agriculture, rural communities and most importantly, our client-owners. Every day, we partner with our clients to deliver the insights and expert guidance they have come to expect and count on from their financial services provider. To be that trusted advisor, we are consistently looking for ways to better serve our clients and return value to our stockholders. It's a business objective we've been committed to for the long haul and one we believe matches the strides of our clients – constantly evolving and growing to better our operation.

In August 2016, the Boards of Directors of 1st Farm Credit Services, ACA, AgStar Financial Services, ACA, and Badgerland Financial, ACA unanimously voted in favor of recommending a merger to our client-owners. A merger application was filed with our regulator, the Farm Credit Administration (FCA), in the third quarter of 2016. On April 7, 2017, our stockholders approved the proposed merger. Effective May 1, 2017, the Board of Directors of 1st Farm Credit Services, ACA, AgStar Financial Services, ACA, and Badgerland Financial, ACA approved to operate under joint management where AgStar's CEO, Rod Hebrink, served as CEO of all three associations. The FCA granted final approval in June and the merger was effective July 1, 2017. The merged Association will operate under the name of Compeer Financial, ACA with the headquarters located in Sun Prairie, Wisconsin. The merger of these three organizations strengthens our commitment to the agricultural and rural communities we serve. Visit www.Compeer.com for more information

1st Farm Credit Services, ACA served the northern 42 counties of Illinois. Badgerland Financial, ACA served the southern 33 Wisconsin counties; and AgStar Financial Services, ACA served 69 counties across Minnesota and Wisconsin. While our markets differ in some ways, our philosophies and focus on client relationships and commitment to rural communities and agriculture are closely aligned.

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 2016 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

We serve many sectors in agriculture including our primary industries of grain and swine. Additionally, we serve the rural housing, energy, and food processing and distribution segments. Economic and agricultural conditions were little changed in the first half of 2017. Profitability prospects remain challenging, particularly for grain producers. While many grain clients enjoy large equity positions, tight margins are taking their toll on client financial positions. Future deterioration could occur particularly if lower grain margins persist beyond 2017.

Within the June 9, 2017, World Agricultural Supply and Demand Estimates (WASDE), the United States Department of Agriculture (USDA) projects 2017/18 U.S. corn production at 14.1 billion bushels, or 7.1% fewer than the estimated 2016/17 production, on an estimated 4% decline in harvested acreage. Wet weather in the central and eastern Corn Belt boosted soil moisture but ultimately slowed pre-planting fieldwork in March, and wetness continued in many areas through the remainder of the quarter. Overall, the contiguous United States experienced its eleventh-wettest spring during the 123-year period of record. Projected average yields are 170.7 bushels per acre, down 2.2% from last season. Estimate for 2017/18 season-average corn price received by producers remains at a wide $3.00 to $3.80 per bushel compared to an estimated $3.25 to $3.45 for the previous crop year. The USDA projection for 2017/18 soybean production is 4.3 billion bushels, or 1.2% fewer than estimated 2016/17 production, with yield per harvested acre at 48 bushels. The 2017/18 season-average soybean price is projected at $8.30 to $10.30 per bushel surrounding the estimated $9.55 per bushel for the previous crop year.

The abundant rainfall across the Midwest periodically slowed fieldwork and lowland flooding across the lower Midwest resulted in some submerged acreage and poor crop establishment. By June 4, at least 11% of the corn was rated in very poor to poor condition in Illinois. For the 18 major corn producing states, as of June 25, 67% of the crop is listed in good to excellent condition which is below the 75% from a year ago. Illinois crop is 62% good to excellent, Minnesota corn is 78% good to excellent, and Wisconsin is 69%. Soybean conditions for the 18 major production states are 67% good to excellent, compared to 72% a year ago. Illinois soybeans are 70% good to excellent, Minnesota is 76% good to excellent, and Wisconsin is 74%. While below the historically strong levels of a year ago, crop conditions remain favorable for another year of average to above average production levels.

The USDA expects a continuing trend in pork production with a 4% increase in each of 2017 and 2018. Despite seeing an increase in domestic per capita consumption and a growth in exports, the USDA does not forecast demand to rise as fast as expected production. Hog margins were unfavorable for much of 2016, with fourth quarter returns particularly depressed. While they have rebounded with higher hog prices in the first half of 2017, margins remain average at best. Feed prices have moved higher in light of the rainy weather in the Corn Belt. As of June, there were 71.7 million hogs and pigs on U.S. farms, up 3% from a year ago, and 1% above March according to the Quarterly Hogs and Pigs report published by the National Agricultural Statistics Service. Hog producers intend to farrow 3.1 million sows during the June to August 2017 quarter, up slightly from the same period a year ago. The protracted strength of the U.S. dollar has had more limited impact on exports than originally anticipated. USDA pork exports for 2017 are modestly higher compared to 2016 despite a strong dollar.

Following a period of more than 25 years of steadily increasing values, farmland prices are enduring a period of moderation. Farmland values in the upper Midwest have experienced modest declines, with some areas seeing sequential declines over the past three years. Moderation across the region is expected to continue as we progress through 2017 in response to lower commodity prices. According to a USDA August 2016 survey, cropland values in Illinois declined 1.3% from a year earlier while Minnesota remained unchanged and Wisconsin increased 1.1%. Given solid net worth positions and conservative borrowing characteristics, U.S. agriculture is well-positioned to handle a decline in land values without enduring significant financial stress and hardship. Additionally, the moderation in land values has the potential to lead to declines in cash rent. According to a survey done by AgriBank, cash rents in Illinois declined 3.1% and Minnesota declined by 6.1%. Wisconsin rents increased 2.2% in 2016.

The economy continues to generate a number of positive economic signals for the housing market. Home ownership in the U.S. is now 63.6%, which is just off 50 year lows. According to the CoreLogic HPI, home prices nationwide increased by 6.6% year over year in May 2017, and have averaged 1.2% over the first five months of the year. Forecasted prices are expected to slightly moderate the gains with a 5.3% increase over the following 12 months. Additionally, the U.S. Bureau of Labor Statistics reported on July 7 that the national unemployment rate remains near a multi-year low at 4.4%. The current economy, low interest rates, and housing prices have made the environment good 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.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $4.1 billion at June 30, 2017, an increase of $72.3 million from December 31, 2016. The increase was primarily due to strong loan demand in our real estate mortgage loan volume and production and intermediate loan volume since December 31, 2016. Lower commodity prices have limited the demand for credit for capital purchases. There may be additional operating credit needs as the year progresses due to tighter margins.

Portfolio Credit Quality

The credit quality of our portfolio remained stable from December 31, 2016. Adversely classified loans were 2.2% of the portfolio at June 30, 2017, and December 31, 2016. 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, government guarantee programs are used to reduce the risk of loss. At June 30, 2017, $136.6 million of our loans were, to some level, guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:		**June 30 2017**		December 31 2016
Loans:				
Nonaccrual	**$**	**23,282**	$	16,891
Accruing restructured		**418**		537
Accruing loans 90 days or more past due		**2,006**		1,152
Total risk loans		**25,706**		18,580
Other property owned		**--**		--
Total risk assets	**$**	**25,706**	$	18,580
Total risk loans as a percentage of total loans		**0.6%**		0.5%
Nonaccrual loans as a percentage of total loans		**0.6%**		0.4%
Current nonaccrual loans as a percentage of total nonaccrual loans		**63.9%**		56.9%
Total delinquencies as a percentage of total loans		**0.7%**		0.5%

Note: Accruing loans include accrued interest receivable.

Our risk assets have increased from December 31, 2016, 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 increase in nonaccrual loans was primarily due to a large relationship in our agribusiness loan category during the second quarter of 2017. Nonaccrual loans remained at an acceptable level at June 30, 2017.

The increase in accruing loans 90 days or more past due was primarily due to certain real estate mortgage and production and intermediate term loans. Our accounting policy requires accruing 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, all accruing loans 90 days or more past due were eligible to remain in accruing status.

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:	**June 30 2017**	December 31 2016
Allowance as a percentage of:		
Loans	**0.3%**	0.2%
Nonaccrual loans	**47.0%**	53.8%
Total risk loans	**42.6%**	48.9%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at June 30, 2017.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the six months ended June 30		**2017**		2016
Net income	**$**	**38,304**	$	33,341
Return on average assets		**1.8%**		1.7%
Return on average members' equity		**8.6%**		8.1%

Changes in the chart above relate directly to:

- 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 six months ended June 30		2017		2016		Increase (decrease) in net income
Net interest income	$	50,148	$	49,143	$	1,005
Provision for loan losses		1,868		2,747		879
Patronage income		10,932		8,890		2,042
Other income, net		9,704		7,771		1,933
Operating expenses		30,343		30,288		(55)
Provision for (benefit from) income taxes		269		(572)		(841)
Net income	$	38,304	$	33,341	$	4,963

Changes in Net Interest Income

(in thousands) For the six months ended June 30		2017 vs 2016
Changes in volume	$	2,915
Changes in interest rates		(2,368)
Changes in nonaccrual income and other		458
Net change	$	1,005

The change in the provision for loan losses was related to increses in specific reserves for impaired loans.

The change in patronage income was primarily related to additional patronage accrued resulting from an increase in the wholesale spread on our note payable.

The change in other income was primarily the result of increased revenue in our financially related services business segment partially offset by merger related costs.

The change in provision for (benefit from) income taxes was primarily related to our estimate of income taxes based on taxable income.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Pursuant to our merger with AgStar Financial Services, ACA and Badgerland Financial, ACA, as described in Note 8, our note payable with AgriBank was terminated effective July 1, 2017. Compeer Financial, ACA, the merged entity, entered into a new note payable with AgriBank on July 1, 2017, which matures on September 30, 2018. 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 June 30, 2017, or December 31, 2016.

Total members' equity increased $30.7 million from December 31, 2016, primarily due to net income for the period partially offset by patronage distribution accruals.

FCA regulations require us to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations.

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. Refer to Note 5 of the accompanying Consolidated Financial Statements for additional detail regarding the capital ratios effective as of June 30, 2017. Refer to Note 7 in our 2016 Annual Report for a more complete description of the ratios effective as of December 31, 2016.

RELATIONSHIP WITH AGRIBANK

Patronage

AgriBank has amended its capital plan effective July 1, 2017, to provide for adequate capital at AgriBank under the new capital regulations as well as to create a path to long-term capital optimization within the AgriBank District. The plan contemplates changing from a primarily cash patronage program to distributing a potentially higher level of earnings through cash and allocated stock patronage. The plan's flexibility will allow for proper balance between needed capitalization at AgriBank to meet regulatory capital measures and policy constraints and association investments levels. High levels of investment in AgriBank may constrain growth and patronage levels at the Association.

CERTIFICATION

The undersigned have reviewed the June 30, 2017, Quarterly Report of Badgerland 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 Cade
Chairperson of the Board
Badgerland Financial, ACA

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

Jase L. Wagner
Chief Financial Officer
Badgerland Financial, ACA

August 8, 2017

CONSOLIDATED STATEMENTS OF CONDITION

Badgerland Financial, ACA
(in thousands)
(Unaudited)

As of:	June 30 2017	December 31 2016
ASSETS		
Loans	**$ 4,060,760**	$ 3,988,437
Allowance for loan losses	**10,948**	9,081
Net loans	**4,049,812**	3,979,356
Investment in AgriBank, FCB	**108,373**	108,341
Accrued interest receivable	**22,659**	20,259
Other investments	**9,388**	8,938
Other assets	**50,185**	49,568
Total assets	**$ 4,240,417**	$ 4,166,462
LIABILITIES		
Note payable to AgriBank, FCB	**$ 3,285,544**	$ 3,247,585
Accrued interest payable	**16,273**	13,392
Deferred tax liabilities, net	**1,256**	987
Patronage distribution payable	**7,658**	15,232
Other liabilities	**29,427**	19,746
Total liabilities	**3,340,158**	3,296,942
Contingencies and commitments (Note 6)		
MEMBERS' EQUITY		
Capital stock and participation certificates	**8,752**	8,659
Allocated surplus	**81,430**	37,616
Unallocated surplus	**810,077**	823,245
Total members' equity	**900,259**	869,520
Total liabilities and members' equity	**$ 4,240,417**	$ 4,166,462

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

CONSOLIDATED STATEMENTS OF INCOME

Badgerland Financial, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
For the period ended June 30	**2017**	2016	**2017**	2016
Interest income	**$ 41,492**	$ 37,387	**$ 81,418**	$ 74,259
Interest expense	**16,273**	12,794	**31,270**	25,116
Net interest income	**25,219**	24,593	**50,148**	49,143
Provision for loan losses	**1,197**	2,412	**1,868**	2,747
Net interest income after provision for loan losses	**24,022**	22,181	**48,280**	46,396
Other income				
Patronage income	**5,405**	4,421	**10,932**	8,890
Financially related services income	**3,385**	1,821	**8,058**	5,280
Fee income	**1,282**	1,248	**2,526**	2,456
Miscellaneous (loss) income, net	**(727)**	(236)	**(880)**	35
Total other income	**9,345**	7,254	**20,636**	16,661
Operating expenses				
Salaries and employee benefits	**9,285**	9,221	**18,723**	18,296
Other operating expenses	**5,337**	5,808	**11,620**	11,992
Total operating expenses	**14,622**	15,029	**30,343**	30,288
Income before income taxes	**18,745**	14,406	**38,573**	32,769
Provision for (benefit from) income taxes	**600**	(259)	**269**	(572)
Net income	**$ 18,145**	$ 14,665	**$ 38,304**	$ 33,341

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Badgerland Financial, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Allocated Surplus	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2015	$ 8,527	$ --	$ 799,923	$ 808,450
Net income	--	--	33,341	33,341
Unallocated surplus designated for patronage distributions	--	--	(6,993)	(6,993)
Capital stock and participation certificates issued	348	--	--	348
Capital stock and participation certificates retired	(326)	--	--	(326)
Balance at June 30, 2016	$ 8,549	$ --	$ 826,271	$ 834,820
Balance at December 31, 2016	$ 8,659	$ 37,616	$ 823,245	$ 869,520
Net income	**--**	**--**	**38,304**	**38,304**
Net surplus allocated under nonqualified patronage program	**--**	**43,814**	**(43,814)**	**--**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(7,658)**	**(7,658)**
Capital stock and participation certificates issued	**348**	**--**	**--**	**348**
Capital stock and participation certificates retired	**(255)**	**--**	**--**	**(255)**
Balance at June 30, 2017	**$ 8,752**	**$ 81,430**	**$ 810,077**	**$ 900,259**

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 six months ended June 30, 2017, are not necessarily indicative of the results to be expected for the year ending December 31, 2017. 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, 2016 (2016 Annual Report).

On July 1, 2017, 1st Farm Credit Services, ACA, AgStar Financial Services, ACA, and Badgerland Financial, ACA merged. The merged Association will operate under the name of Compeer Financial, ACA with the headquarters located in Sun Prairie, Wisconsin. See Note 8 for further discussion of the merger.

The Consolidated Financial Statements present the consolidated financial results of Badgerland Financial, ACA and its subsidiaries Badgerland Financial, FLCA and Badgerland 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	Description	Effective date and financial statement impact
In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13 "Financial Instruments – Credit Losses."	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.	The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early adoption is permitted as of annual reporting periods beginning after December 15, 2018, including interim periods within those annual periods. We are currently evaluating the impact of the guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.
In February 2016, the FASB issued ASU 2016-02 "Leases."	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.	The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2019, and interim periods the subsequent year. Early adoption is permitted and modified retrospective adoption is required. We are currently evaluating the impact of the guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.

Standard	Description	Effective date and financial statement impact
In January 2016, the FASB issued ASU 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities."	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.	The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2018, and interim periods with annual periods beginning after December 15, 2019. Certain disclosure changes are permitted to be immediately adopted for annual reporting periods that have not yet been made available for issuance. Nonpublic entities are no longer required to include certain fair value of financial instruments disclosures as part of these disclosure changes. We have immediately adopted this guidance and have excluded such disclosures from our Notes to Consolidated Financial Statements. Early adoption is permitted for interim and annual reporting periods beginning after December 15, 2017, for other applicable sections of the guidance. We are currently evaluating the impact of the remaining guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.
In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers."	The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised 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 new revenue recognition guidance. In this regard, a majority of our contracts would be excluded from the scope of this new guidance.	The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. In March 2016, the FASB issued ASUs 2016-08 and 2016-10, which provided further clarifying guidance on the previously issued standard. We are in the process of reviewing contracts to determine the effect, if any, on our financial condition and results of operations.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	**June 30, 2017**		December 31, 2016	
	Amount	%	Amount	%
Real estate mortgage	**$ 2,242,099**	**55.2%**	$ 2,199,012	55.2%
Production and intermediate term	**1,032,517**	**25.4%**	1,011,038	25.3%
Agribusiness	**541,315**	**13.4%**	545,931	13.7%
Other	**244,829**	**6.0%**	232,456	5.8%
Total	**$ 4,060,760**	**100.0%**	$ 3,988,437	100.0%

The other category is primarily comprised of communication, energy, agriculture export finance and rural residential loans as well as loans originated under our mission related investment authority.

Delinquency

Aging Analysis of Loans

(in thousands) **As of June 30, 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	90 Days or More Past Due and Accruing
Real estate mortgage	**$ 9,305**	**$ 3,954**	**$ 13,259**	**$ 2,242,595**	**$ 2,255,854**	**$ 639**
Production and intermediate term	**5,502**	**5,639**	**11,141**	**1,028,653**	**1,039,794**	**1,367**
Agribusiness	**4,095**	**133**	**4,228**	**538,445**	**542,673**	**--**
Other	**795**	**392**	**1,187**	**243,911**	**245,098**	**--**
Total	**$ 19,697**	**$ 10,118**	**$ 29,815**	**$ 4,053,604**	**$ 4,083,419**	**$ 2,006**

As of December 31, 2016		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		90 Days or More Past Due and Accruing
Real estate mortgage	$	9,503	$	3,841	$	13,344	$	2,197,198	$	2,210,542	$	806
Production and intermediate term		2,404		3,589		5,993		1,012,215		1,018,208		346
Agribusiness		--		--		--		547,214		547,214		--
Other		392		--		392		232,340		232,732		--
Total	$	12,299	$	7,430	$	19,729	$	3,988,967	$	4,008,696	$	1,152

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:		**June 30 2017**		December 31 2016
Volume with specific allowance	**$**	**9,499**	$	2,752
Volume without specific allowance		**16,207**		15,828
Total risk loans	**$**	**25,706**	$	18,580
Total specific allowance	**$**	**2,134**	$	1,066
For the six months ended June 30		**2017**		2016
Income on accrual risk loans	**$**	**57**	$	58
Income on nonaccrual loans		**758**		300
Total income on risk loans	**$**	**815**	$	358
Average risk loans	**$**	**17,774**	$	17,798

Note: Accruing loans include accrued interest receivable.

We did not have any material commitments to lend additional money to borrowers whose loans were at risk at June 30, 2017.

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 six months ended June 30, 2017, and 2016. Our recorded investment in these loans just prior to restructuring was $129 thousand and $31 thousand during the six months ended June 30, 2017, and 2016, respectively. Our recorded investment in these loans immediately following the restructuring was $128 thousand during the six months ended June 30, 2017. There were no recorded investment in these loans immediately following the restructuring during the six months ended June 30, 2016. The recorded investment of the loan is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off.

The primary type of modification was extension of maturity.

We had TDRs in the production and intermediate term loan category of $35 thousand and $18 thousand that defaulted during the six months ended June 30, 2017, and 2016, respectively in which the modifications were within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:		June 30 2017		December 31 2016
Accrual status:				
Real estate mortgage	$	**408**	$	239
Production and intermediate term		**10**		298
Total TDRs in accrual status	$	**418**	$	537
Nonaccrual status:				
Real estate mortgage	$	**138**	$	250
Production and intermediate term		**234**		135
Other		**24**		28
Total TDRs in nonaccrual status	$	**396**	$	413
Total TDRs:				
Real estate mortgage	$	**546**	$	489
Production and intermediate term		**244**		433
Other		**24**		28
Total TDRs	$	**814**	$	950

There were no material commitments to lend to borrowers whose loans have been modified in a TDR at June 30, 2017.

Allowance for Loan Losses

Changes for Allowance for Loan Losses

(in thousands) Six months ended June 30		2017		2016
Balance at beginning of period	$	**9,081**	$	11,600
Provision for loan losses		**1,868**		2,747
Loan recoveries		**221**		84
Loan charge-offs		**(222)**		(1,231)
Balance at end of period	$	**10,948**	$	13,200

NOTE 3: INVESTMENT IN AGRIBANK, FCB

Effective July 1, 2017, we were required by AgriBank to maintain an investment equal to 2.25% 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. From January 1 to June 30, 2017, we were required by AgriBank to maintain an investment equal to 2.25% of the average quarterly balance of our note payable, with an additional amount required on growth in excess of a sustainable growth rate. Previously, the required investment was equal to 2.25% of the average quarterly balance of our note payable to AgriBank plus an additional 1.0% on growth that exceeded a targeted rate.

Investment in AgriBank

(in thousands) As of:		June 30 2017		December 31 2016
Required stock investment	$	**107,542**	$	108,341
Purchased excess stock investment		**831**		--
Total investment	$	**108,373**	$	108,341

NOTE 4: OTHER INVESTMENTS

We held non-controlling investments in venture capital equity funds of $9.4 million at June 30, 2017, and $8.9 million at December 31, 2016. These investments represent our stake in venture capital equity funds focused on the needs of rural start-up companies. Our $5.0 million commitment to these venture capital equity funds began in 2008 and was initially over a period of ten years. In 2013, we committed an additional $5.0 million over a period of ten years. We are a limited partner in the funds and these investments are valued at cost. Our remaining commitment to the funds at June 30, 2017, was $350 thousand through December 2023.

The investments were evaluated for impairment. No impairments were recognized on these investments during the six months ended June 30, 2017, or 2016. Since inception, we have received a distribution of $237 thousand as the funds sold investments. We did not receive any distributions during the six months ended June 30, 2017, or 2016.

NOTE 5: MEMBERS' EQUITY

Regulatory Capitalization Requirements

Select Capital Ratios

	As of June 30, 2017	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:				
Common equity tier 1 ratio	**15.9%**	4.5%	2.5%*	7.0%
Tier 1 capital ratio	**15.9%**	6.0%	2.5%*	8.5%
Total capital ratio	**16.4%**	8.0%	2.5%*	10.5%
Permanent capital ratio	**17.7%**	7.0%	0.0%	7.0%
Non-risk-adjusted:				
Tier 1 leverage ratio	**17.3%**	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**18.1%**	1.5%	0.0%	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.

Effective January 1, 2017, the regulatory capital requirements for Farm Credit System Banks and associations were modified. The new regulations replaced existing core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added a tier 1 leverage ratio and an unallocated retained earnings equivalents (UREE) leverage ratio. The permanent capital ratio continues to remain in effect, with some modifications, to align with the new regulations.

Risk-adjusted assets have been defined by Farm Credit Administration (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. The primary changes, which generally have the impact of increasing risk-adjusted assets (decreasing risk-based regulatory capital ratios) were as follows:

- Inclusion of off-balance-sheet commitments with terms at origination of less than 14 months
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status

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 FCA Regulations and are calculated as follows:

- 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, 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, 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
- UREE leverage ratio is unallocated retained earnings, 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 (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

Effective January 1, 2017, the regulatory capital requirements allow for allotment agreements for only the permanent capital ratio and, as such, any stock in excess of our AgriBank required investment was not included in the common equity tier 1, tier 1 capital, total capital, or leverage ratios. We had no allocated excess stock at June 30, 2017, or December 31, 2016.

Refer to Note 7 in our 2016 Annual Report for a more complete description of the ratios effective as of December 31, 2016.

NOTE 6: 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 7: 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 2016 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at June 30, 2017, or December 31, 2016.

Non-Recurring

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-recurring Basis

(in thousands)	As of June 30, 2017				Six months ended June 30, 2017
	Fair Value Measurement Using				
	Level 1	Level 2	Level 3	Total Fair Value	Total (Losses)
Impaired loans	**$ --**	**$ 7,483**	**$ 250**	**$ 7,733**	**$ (1,290)**
Other property owned	**--**	**--**	**--**	**--**	**--**

	As of December 31, 2016				Six months ended June 30, 2016
	Fair Value Measurement Using				
	Level 1	Level 2	Level 3	Total Fair Value	Total (Losses)
Impaired loans	$ --	$ 1,719	$ 51	$ 1,770	$ (2,181)
Other property owned	--	--	--	--	(38)

Valuation Techniques

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.

NOTE 8: SUBSEQUENT EVENTS

We have evaluated subsequent events through August 8, 2017, 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, except for the merger of 1st Farm Credit Services, ACA (1st FCS), AgStar Financial Services, ACA (AgStar), and Badgerland Financial ACA (Badgerland).

On July 1, 2017, the Association merged operations with AgStar and 1st FCS. All shareholders of the Association received capital stock in AgStar in exchange for their stock which was then canceled. This exchange was made at the stock's par value. The Association's regulator, the Farm Credit Administration, issued amended charters for the merged association encompassing the territories previously served by the separate associations. The merged Association will operate under the name of Compeer Financial, ACA with the headquarters located in Sun Prairie, Wisconsin.