Progressive
Farm Credit Services®

2016 Annual Report

TABLE OF CONTENTS

Progressive Farm Credit Services, ACA

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Dear Progressive Farm Credit Services Customer-Owners,

This is the time when having your own cooperative lending institution, owned by you, directed by you, run for you, and returning a significant portion of its profits to you, is more important than ever.

Your employees are dedicated full-time to providing financing and insurance services to you – they have years and even decades of experience specializing in agricultural finance and are truly experts that you can rely on as trusted resources.

Our directors are farmers and business experts who are dedicated to our mission.

I also want to recognize the countless number of customers, employees and directors who came before us and laid the foundation for this excellent organization.

We provide competitive rates, expertise, and return significant earnings to our loan customers, lowering your net effective rates in many cases to near prime rate or even less. Our $5.5 million patronage refund this year is the largest ever.

All of you benefit from growth that we derive from building our business. Your help telling our story to neighbors and farm property owners who are not already Progressive FCS customer-owners goes a long way in helping us build this cooperative.

With a nominal capital stock investment of $1,000 or less, you are a part-owner in a business with $135 million net worth built over the last 100 years. We are able to loan most of that net worth. Since we do not have to borrow this, it helps keep our interest rates lower than if we had to borrow it. In addition to the $135 million of earnings retained over the past 100 years, we have distributed another $65 million in earnings as patronage refunds since 1994 – helping to build the financial strength of our customer-owners.

We love working for you – for farmers, rural homeowners, landowners, and owners of other rural businesses. It is challenging and rewarding work.

We also can use your help. First, by helping tell the story of your Farm Credit cooperative as mentioned before. Also, by helping provide timely and accurate information needed by our lenders and insurance specialists. The better the quality of this information, and the timelier it is, the better we can make sure we serve your financing and insurance needs.

We are very conscious that net farm income is weaker now than it was a few years ago, and this is putting a strain on cash flow and working capital. We are working one on one with each individual situation to create the best possible outcomes. While we project current profitability conditions to persist for the next couple of years, we believe that the long-range outlook for agriculture is very positive. As long as the populations and standards of living in developing countries continue to rise, then the demand for fiber, protein, food and feed crops will grow.

Our whole association is working hard to develop more capacity, stronger skills, and inter-connectedness to serve you promptly, accurately and courteously at the high levels you deserve and expect.

Please let us know how we are doing, and what we can do to serve you better.

We thank you for your business and support, and look forward to seeing you whenever possible.

Best wishes for a healthy and prosperous 2017.

Bob Smith

Bob Smith
President / Chief Executive Officer
Progressive Farm Credit Services, ACA

March 8, 2017

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Progressive Farm Credit Services, ACA

(dollars in thousands)

	2016	2015	2014	2013	2012
Statement of Condition Data					
Loans	**$ 614,216**	$ 582,111	$ 573,994	$ 551,478	$ 527,074
Allowance for loan losses	**482**	452	457	382	517
Net loans	**613,734**	581,659	573,537	551,096	526,557
Investment in AgriBank, FCB	**11,709**	11,090	11,409	11,726	11,673
Investment securities	**2,483**	3,326	4,272	5,472	6,764
Other assets	**14,767**	13,384	13,175	12,350	12,217
Total assets	**$ 642,693**	$ 609,459	$ 602,393	$ 580,644	$ 557,211
Obligations with maturities of one year or less	**$ 507,112**	$ 481,791	$ 482,244	$ 469,089	$ 453,843
Total liabilities	**507,112**	481,791	482,244	469,089	453,843
Protected members' equity	**--**	--	1	1	1
Capital stock and participation certificates	**1,715**	1,742	1,756	1,811	1,818
Unallocated surplus	**133,866**	125,926	118,392	109,743	101,549
Total members' equity	**135,581**	127,668	120,149	111,555	103,368
Total liabilities and members' equity	**$ 642,693**	$ 609,459	$ 602,393	$ 580,644	$ 557,211
Statement of Income Data					
Net interest income	**$ 18,583**	$ 18,224	$ 17,891	$ 16,727	$ 15,622
Provision for (reversal of) loan losses	**24**	(9)	83	(136)	(242)
Other expenses, net	**5,119**	5,449	4,059	4,572	3,436
Net income	**$ 13,440**	$ 12,784	$ 13,749	$ 12,291	$ 12,428
Key Financial Ratios					
Return on average assets	**2.1%**	2.1%	2.3%	2.2%	2.4%
Return on average members' equity	**10.2%**	10.3%	11.9%	11.5%	12.6%
Net interest income as a percentage of average earning assets	**3.0%**	3.2%	3.2%	3.2%	3.1%
Members' equity as a percentage of total assets	**21.1%**	20.9%	19.9%	19.2%	18.6%
Net (recoveries) charge-offs as a percentage of average loans	**(0.0%)**	0.0%	0.0%	0.0%	0.0%
Allowance for loan losses as a percentage of loans	**0.1%**	0.1%	0.1%	0.1%	0.1%
Permanent capital ratio	**19.6%**	19.5%	17.8%	17.2%	16.3%
Total surplus ratio	**19.4%**	19.2%	17.5%	16.9%	16.0%
Core surplus ratio	**19.4%**	19.2%	17.5%	16.9%	16.0%
Net Income Distributed					
Patronage distributions:					
Cash	**$ 5,250**	$ 5,100	$ 4,100	$ 3,997	$ 3,734

MANAGEMENT'S DISCUSSION AND ANALYSIS

Progressive Farm Credit Services, ACA

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

The Farm Credit System (System) is a nationwide system of cooperatively owned banks and associations established by Congress to meet the credit needs of American agriculture. As of January 1, 2017, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 73 customer-owned cooperative lending institutions (associations). The System serves all 50 states, Washington D.C., and Puerto Rico. This network of financial cooperatives is owned and governed by the rural customers the System serves.

AgriBank, FCB (AgriBank), a System bank, and its affiliated Associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). We are an affiliated Association in the District.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System. The Farm Credit System Insurance Corporation (FCSIC) ensures the timely payment of principal and interest on Systemwide debt obligations and the retirement of protected borrower capital at par or stated value.

Due to the nature of our financial relationship with 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, contact us at:

Progressive Farm Credit Services, ACA	AgriBank, FCB
1116 N. Main Street	30 East 7th Street, Suite 1600
Sikeston, MO 63801	St. Paul, MN 55101
(573) 471-0342	(651) 282-8800
www.progressivefcs.com	www.agribank.com
progressivefcs@progressivefcs.com	financialreporting@agribank.com

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

FORWARD-LOOKING INFORMATION

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

- Political, legal, regulatory, financial markets, international, and economic conditions and developments in the United States (U.S.) and abroad
- Economic fluctuations in the agricultural and farm-related business sectors
- Unfavorable weather, disease, and other adverse climatic or biological conditions that periodically occur and impact agricultural productivity and income
- Changes in U.S. government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency actions relating to events involving the U.S. government, other government-sponsored enterprises, and other financial institutions
- Actions taken by the Federal Reserve System in implementing monetary policy
- Credit, interest rate, and liquidity risks inherent in our lending activities
- Changes in our assumptions for determining the allowance for loan losses, other-than-temporary impairment, and fair value measurements

AGRICULTURAL AND ECONOMIC CONDITIONS

Land Values: The average Southeast Missouri benchmark farm land value change in 2016 was 2.5%, compared to 0.8% and 12.0% in 2015 and 2014, respectively. The more moderate land value changes the past two years are indicative of lower commodity prices to more historical levels during the same period.

Commodity Prices: Farmers are entering the third year of lower prices and margins compared to the historic highs of the previous 4 years. 2017 is looking to be a repeat of 2016 with most farmers looking to "tread water" for another year.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $614.2 million at December 31, 2016, an increase of $32.1 million from December 31, 2015.

Components of Loans

(in thousands) As of December 31	2016	2015	2014
Accrual loans:			
Real estate mortgage	**$ 331,402**	$ 326,768	$ 311,439
Production and intermediate term	**225,283**	218,649	220,253
Agribusiness	**4,935**	6,632	11,297
Other	**49,616**	29,476	30,415
Nonaccrual loans	**2,980**	586	590
Total loans	**$ 614,216**	$ 582,111	$ 573,994

The other category is comprised of certain assets originated under our mission related investment authority as well as rural residential real estate loans.

The increase in total loans from December 31, 2015 was primarily due to strong originations of loans under our mission related investment authority during the year ended December 31, 2016. Additionally, total loans increased due to originations and draws on operating loans within our production and intermediate term portfolio and a decline in repayments received within our real estate mortgage portfolio, as compared to the prior year.

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

Portfolio Distribution

We are chartered to serve certain counties in Missouri and purchase the remainder of our portfolio outside of Missouri to support rural America and to diversify our portfolio risk. Approximately 80.9% of our total loan portfolio was in Butler, Stoddard, Dunklin, Scott, New Madrid, Mississippi, and Cape Girardeau counties at December 31, 2016.

Agricultural Concentrations

As of December 31	2016	2015	2014
Cotton	**21.3%**	21.7%	22.9%
Corn	**18.9%**	19.6%	20.7%
Soybeans	**18.4%**	18.3%	15.8%
Rice	**15.9%**	16.3%	17.3%
Landlords	**4.6%**	4.5%	2.6%
Beef	**3.6%**	3.7%	3.9%
Processing and marketing	**2.5%**	2.3%	3.0%
Other	**14.8%**	13.6%	13.8%
Total	**100.0%**	100.0%	100.0%

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

Our production and intermediate term loan portfolio shows some seasonality. Borrowings increase throughout the planting and growing seasons to meet farmers’ operating and capital needs. These loans are normally at their lowest levels following the harvest and then increase in the spring and throughout the rest of the year as borrowers fund operating needs.

Portfolio Credit Quality

The credit quality of our portfolio declined slightly from December 31, 2015. Adversely classified loans increased to 1.1% of the portfolio at December 31, 2016, from 0.6% of the portfolio at December 31, 2015. 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 December 31, 2016, $76.7 million of our loans were, to some level, guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands)

As of December 31	**2016**	2015	2014
Loans:			
Nonaccrual	**$ 2,980**	$ 586	$ 590
Accruing restructured	**--**	--	--
Accruing loans 90 days or more past due	**143**	928	--
Total risk loans	**3,123**	1,514	590
Other property owned	**--**	--	--
Total risk assets	**$ 3,123**	$ 1,514	$ 590
Total risk loans as a percentage of total loans	**0.5%**	0.3%	0.1%
Nonaccrual loans as a percentage of total loans	**0.5%**	0.1%	0.1%
Current nonaccrual loans as a percentage of total nonaccrual loans	**95.8%**	95.6%	100.0%
Total delinquencies as a percentage of total loans	**1.2%**	0.5%	0.2%

Note: Accruing loans include accrued interest receivable.

Our risk assets have increased from December 31, 2015, 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 the transfer of real estate mortgage and production and intermediate term loans to four local borrowers totaling approximately $2.5 million to nonaccrual status during the year ended December 31, 2016. The increase was partially offset by repayments received. Nonaccrual loans remained at an acceptable level at December 31, 2016, 2015, and 2014.

The decrease in accruing loans 90 days or more past due was primarily due to the return to accrual status of two mission related investment loans to a single borrower, which were 90 days or more past due as of December 31, 2015. Our accounting policy requires accruing loans past due 90 days 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.

The increase in total delinquencies as a percentage of total loans was primarily due to the $2.7 million increase in 100% guaranteed USDA past due loans (delinquent 40 days or less) and a $1.7 million increase in retail past due loans (primarily less than 90 days past due).

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 the 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 December 31	**2016**	2015	2014
Allowance as a percentage of:			
Loans	**0.1%**	0.1%	0.1%
Nonaccrual loans	**16.2%**	77.1%	77.5%
Total risk loans	**15.4%**	29.9%	77.5%
Net (recoveries) charge-offs as a percentage of average loans	**(0.0%)**	0.0%	0.0%
Adverse assets to risk funds	**5.3%**	3.0%	2.0%

The decrease in the allowance as a percentage of nonaccrual loans and total risk loans was due to the increase in nonaccrual loans. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at December 31, 2016.

Additional loan information is included in Notes 3, 10, 11, and 12 to the accompanying Consolidated Financial Statements.

INVESTMENT SECURITIES

In addition to loans, we held investment securities. Investment securities totaled $2.5 million, $3.3 million, and $4.3 million at December 31, 2016, 2015, and 2014, respectively. Our investment securities consisted of securities containing loans guaranteed by the Small Business Administration.

The investment portfolio is evaluated for other-than-temporary impairment. To date, we have not recognized any impairment on our investment portfolio.

Additional investment securities information is included in Note 5 to the accompanying Consolidated Financial Statements.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the year ended December 31	**2016**	2015	2014
Net income	**$ 13,440**	$ 12,784	$ 13,749
Return on average assets	**2.1%**	2.1%	2.3%
Return on average members' equity	**10.2%**	10.3%	11.9%

Changes in the chart above relate directly to:

- Changes in income discussed below
- Changes in assets discussed in the Loan Portfolio and Investment Securities sections
- Changes in capital discussed in the Capital Adequacy section

Changes in Significant Components of Net Income

	For the year ended December 31			Increase (decrease) in net income	
(in thousands)	**2016**	2015	2014	**2016 vs 2015**	2015 vs 2014
Net interest income	**$ 18,583**	$ 18,224	$ 17,891	**$ 359**	$ 333
Provision for (reversal of) loan losses	**24**	(9)	83	**(33)**	92
Patronage income	**2,105**	1,231	1,572	**874**	(341)
Other income, net	**1,135**	1,215	1,484	**(80)**	(269)
Operating expenses	**8,293**	7,915	7,120	**(378)**	(795)
Provision for (benefit from) income taxes	**66**	(20)	(5)	**(86)**	15
Net income	**$ 13,440**	$ 12,784	$ 13,749	**$ 656**	$ (965)

Net Interest Income

Changes in Net Interest Income

(in thousands)

For the year ended December 31	**2016 vs 2015**	2015 vs 2014
Changes in volume	**$ 1,111**	$ 462
Changes in interest rates	**(727)**	(159)
Changes in nonaccrual income and other	**(25)**	30
Net change	**$ 359**	$ 333

Net interest income included income on nonaccrual loans that totaled $30 thousand, $55 thousand, and $25 thousand in 2016, 2015, and 2014, respectively. Nonaccrual income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered.

Net interest margin (net interest income as a percentage of average earning assets) was 3.0%, 3.2%, and 3.2% in 2016, 2015, and 2014, respectively. The decrease in net interest margin was primarily due to rising cost of funds for variable rate loans. We expect margins to further compress in the future if interest rates continue to rise and competition increases.

Provision for (Reversal of) Loan Losses

The fluctuation in the provision for (reversal of) loan losses was related to our estimate of losses in our portfolio for the applicable years. The provision for loan losses during the year ended December 31, 2016 reflects the slight decline in credit quality as of December 31, 2016 as compared to the prior year and partially offset by recoveries received. The reversal of loan losses during the year ended December 31, 2015 was due to partial reversals of specific reserves and recoveries received during the year, which were offset by changes in the estimate of losses in our portfolio. Additional discussion is included in Note 3 to the accompanying Consolidated Financial Statements.

Patronage Income

We received patronage income based on the average balance of our note payable to AgriBank. The patronage rates were 25.6 basis points, 26.0 basis points, and 33.5 basis points in 2016, 2015, and 2014, respectively. We recorded patronage income of $1.3 million, $1.2 million, and $1.6 million in 2016, 2015, and 2014, respectively. We also received patronage related to an increase in the wholesale spread on our note payable.

We received another component of patronage, referred to as equalization income, from AgriBank. The quarterly average balance of stock in excess of our AgriBank required investment was used to determine this amount. Additionally, we earned equalization on any stock investment in AgriBank required to be held when our growth exceeded a targeted growth rate. The equalization rate is targeted at the average cost of funds for all affiliated Associations as a group. Equalization income totaled $6 thousand, $10 thousand, and $13 thousand in 2016, 2015, and 2014, respectively.

Patronage and equalization distributions for the programs discussed above are declared solely at the discretion of AgriBank's Board of Directors.

Operating Expenses

Components of Operating Expenses

(dollars in thousands)

For the year ended December 31		2016		2015		2014
Salaries and employee benefits	**$**	**5,227**	$	5,208	$	4,592
Purchased and vendor services		**881**		796		760
Communications		**62**		65		62
Occupancy and equipment		**424**		444		432
Advertising and promotion		**230**		216		190
Examination		**215**		187		185
Farm Credit System insurance		**809**		592		543
Other		**445**		407		356
Total operating expenses	**$**	**8,293**	$	7,915	$	7,120
Operating rate		**1.4%**		1.4%		1.3%

We expect pension expense to decrease in 2017 primarily driven by a plan amendment during 2016 and increased return on assets as a result of increased funding, partially offset by decreases in discount rate and expected return on plan assets assumptions.

We have been notified by our regulator, the FCA, that our examination fees are expected to substantially increase in 2017.

FCSIC insurance expense increased in 2016 primarily due to an increase in the premium rate charged by FCSIC on accrual loans from 13 basis points in 2015 to 16 basis points for the first half and 18 basis points for the second half of 2016. The FCSIC has announced premiums will decrease to 15 basis points for 2017. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time.

Provision for (Benefit from) Income Taxes

The variance in provision for (benefit from) income taxes was related to our estimate of taxes based on taxable income. Patronage distributions to members reduced our tax liability in 2016, 2015, and 2014. Additional discussion is included in Note 8 to the accompanying Consolidated Financial Statements.

FUNDING AND LIQUIDITY

We borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 6 to the accompanying Consolidated Financial Statements. This line of credit is our primary source of liquidity and is used to fund operations and meet current obligations. At December 31, 2016, we had $136.0 million available under our line of credit. We generally apply excess cash to this line of credit.

Note Payable Information

(dollars in thousands)

For the year ended December 31		2016		2015		2014
Average balance	**$**	**496,418**	$	467,681	$	464,528
Average interest rate		**1.8%**		1.4%		1.4%

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.

We have entered into a Standby Commitment to Purchase Agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac), a System institution, to help manage credit risk. If a loan covered by the agreement goes into default, subject to certain conditions, we have the right to sell the loan to Farmer Mac. This agreement remains in place until the loan is paid in full. The guaranteed volume of loans subject to the purchase agreement was $16.5 million, $19.5 million, and $8.6 million at December 31, 2016, 2015, and 2014, respectively. We paid Farmer Mac commitment fees totaling $76 thousand, $40 thousand, and $30 thousand in 2016, 2015, and 2014, respectively. These amounts are included in “Miscellaneous income, net” in the Consolidated Statements of Income. As of December 31, 2016, no loans have been sold to Farmer Mac under this agreement.

CAPITAL ADEQUACY

Total members' equity increased $7.9 million from December 31, 2015, primarily due to net income for the year partially offset by patronage distribution accruals.

Members' Equity Position Information

(dollars in thousands) As of December 31	**2016**	2015	2014	Regulatory Minimums
Members' equity	**$ 135,581**	$ 127,668	$ 120,149	
Surplus as a percentage of members' equity	**98.7%**	98.6%	98.5%	
Permanent capital ratio	**19.6%**	19.5%	17.8%	7.0%
Total surplus ratio	**19.4%**	19.2%	17.5%	7.0%
Core surplus ratio	**19.4%**	19.2%	17.5%	3.5%

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

Additional discussion of these regulatory ratios, along with discussion of new regulations and capital requirements which became effective January 1, 2017, are included in the Regulatory Matters section and in Note 7 to the accompanying Consolidated Financial Statements.

In addition to these regulatory requirements, we establish an optimum total capital and common equity tier 1 (CET1) targets. These targets allow us to maintain a capital base adequate for future growth and investment in new products and services. The targets are subject to revision as circumstances change. As of December 31, 2016, our optimum total capital and CET1 targets were 15.5% and 13.5%, respectively, as defined in our 2017 capital plan. We anticipate that we will exceed all regulatory requirements, including the capital conservation buffer. Further, we expect we will be within a reasonable range of our optimum targets for capital adequacy.

The changes in our capital ratios reflect changes in capital and assets. Refer to the Loan Portfolio and the Investment Securities sections for further discussion of the changes in assets. Additional members' equity information is included in Note 7 to the accompanying Consolidated Financial Statements.

RELATIONSHIP WITH AGRIBANK

Borrowing

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A General Financing Agreement (GFA), as discussed in Note 6 to the accompanying Consolidated Financial Statements, governs this lending relationship.

The components of cost of funds under the GFA include:

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

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

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

Investment

We are required to invest in AgriBank capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing distributed AgriBank surplus. As of December 31, 2016, we were required by AgriBank to maintain an investment 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. AgriBank's current bylaws allow AgriBank to increase the required investment to 4.0%. In December 2016, AgriBank's Board approved the 2017 capital plan, which amended the required stock investments for affiliated Associations, effective January 1, 2017. The new required investment will be the lesser of 4.0% or a multiple component calculation based on a percentage of our average quarterly balance of our note payable to AgriBank with a higher percentage on balances above a sustainable growth rate and includes a component for additional investments under the asset pool program. The 2017 component requirements are currently 2.25% on average note payable, with an additional 4.5% on growth in excess of a 5.5% sustainable growth rate and an 8.0% investment under the asset pool program.

At December 31, 2016, $11.1 million of our investment in AgriBank consisted of stock representing distributed AgriBank surplus and $618 thousand consisted of purchased investment. For the periods presented in this report, we have received no dividend income on this stock investment and we do not anticipate any in future years.

Patronage

We receive different types of discretionary patronage from AgriBank, which is paid in cash. AgriBank's Board of Directors sets the level of:

- Patronage on our note payable with AgriBank
- Equalization income based on our excess stock or growth required stock investment in AgriBank

Purchased Services

We purchase various services from AgriBank including certain financial and retail systems, financial reporting services, tax reporting services, technology services, insurance services, and internal audit services.

The total cost of services we purchased from AgriBank was $486 thousand, $445 thousand, and $466 thousand in 2016, 2015, and 2014, respectively. Costs of services purchased from AgriBank are partially dependent on the number of clients, if the number of clients decreases, the cost of services may increase.

Impact on Members' Investment

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

OTHER RELATIONSHIPS AND PROGRAMS

Relationships with Other Farm Credit Institutions

Federal Agricultural Mortgage Corporation: We have entered into a Standby Commitment to Purchase Agreement with Farmer Mac. This agreement allows us to sell loans identified under the agreement to Farmer Mac. Refer to the Funding and Liquidity section for further discussion of this agreement.

Insight Technology Unit: We participate in the Insight Technology Unit (Insight) with certain other AgriBank District associations to facilitate the development and maintenance of certain retail technology systems essential to providing credit to our borrowers. Insight is governed by representatives of each participating association. The expenses are shared pro rata based on the number of loans and leases of each participant.

CoBank, ACB: We had a relationship with CoBank, ACB (CoBank), a System bank, which involved purchasing or selling participation interests in loans. This relationship is no longer active and we redeemed our equity investment in CoBank. Our equity investment in CoBank was $1 thousand at December 31, 2014.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations) which involves purchasing human resource information systems, and benefit, payroll, and workforce management services. As of December 31, 2016, 2015, and 2014, our investment in Foundations was $11 thousand. The total cost of services we purchased from Foundations was $76 thousand, $77 thousand, and $64 thousand in 2016, 2015, and 2014, respectively.

Programs

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

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

REGULATORY MATTERS

Regulatory Capital Requirements

Effective January 1, 2017, the regulatory capital requirements for System banks and associations were modified. The stated objectives of the revised requirements are to:

- Modernize capital requirements while ensuring that institutions continue to hold sufficient regulatory capital to fulfill their mission as a government-sponsored enterprise
- Ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System
- Make System regulatory capital requirements more transparent
- Meet the requirements of section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act

The final rule replaced existing core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The final rule also added a tier 1 leverage ratio and an unallocated retained earnings equivalents leverage ratio. The permanent capital ratio continues to remain in effect with the final rule. Refer to Note 7 to the accompanying Consolidated Financial Statements for additional information regarding these ratios.

Investment Securities Eligibility

On June 12, 2014, the FCA Board approved a proposed rule to revise the requirements governing the eligibility of investments for System banks and associations. The stated objectives of the proposed rule are to:

- Strengthen the safety and soundness of System Banks and Associations
- Ensure that System Banks hold sufficient liquidity to continue operations and pay maturing obligations in the event of market disruption
- Enhance the ability of the System Banks to supply credit to agricultural and aquatic producers
- Comply with the requirements of section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act
- Modernize the investment eligibility criteria for System Banks
- Revise the investment regulation for System Associations to improve their investment management practices so they are more resilient to risk

The public comment period ended on October 23, 2014. The FCA has not issued any further information regarding this proposed rule.

REPORT OF MANAGEMENT

Progressive Farm Credit Services, ACA

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

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable, but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the Consolidated Financial Statements. They also conduct a review of internal controls to the extent necessary to comply with auditing standards generally accepted in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

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

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

Markel D. Yarbro
Chairperson of the Board
Progressive Farm Credit Services, ACA

Robert E. Smith
Chief Executive Officer
Progressive Farm Credit Services, ACA

Vernon D. Griffith
Senior Vice President/Chief Financial Officer
Progressive Farm Credit Services, ACA

March 8, 2017

REPORT OF AUDIT COMMITTEE

Progressive Farm Credit Services, ACA

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

Management is responsible for internal controls and the preparation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the Consolidated Financial Statements in accordance with auditing standards generally accepted in the United States of America and to issue their report based on their audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited Consolidated Financial Statements for the year ended December 31, 2016, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards AU-C 260, *The Auditor's Communication with Those Charged with Governance*, and both PwC and the internal auditors directly provided reports on any significant matters to the Audit Committee.

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

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors include the audited Consolidated Financial Statements in the Annual Report for the year ended December 31, 2016.

Phillip M. Showmaker
Chairperson of the Audit Committee
Progressive Farm Credit Services, ACA

Audit Committee Members:
Michael Aufdenberg
Jennifer Hendrickson
Ed C. Marshall III
Darrell Nichols
James Priggel
John Robinson
Marty Vancil
Markel D. Yarbro

March 8, 2017

Report of Independent Auditors

To the Board of Directors of Progressive Farm Credit Services, ACA,

We have audited the accompanying Consolidated Financial Statements of Progressive Farm Credit Services, ACA (the Association) and its subsidiaries, which comprise the consolidated statements of condition as of December 31, 2016, 2015 and 2014, and the related consolidated statements of income, changes in members' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Association's preparation and fair presentation of the Consolidated Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position of Progressive Farm Credit Services, ACA and its subsidiaries as of December 31, 2016, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 8, 2017

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

CONSOLIDATED STATEMENTS OF CONDITION

Progressive Farm Credit Services, ACA

(in thousands)

As of December 31		2016		2015		2014
ASSETS						
Loans	**$**	**614,216**	$	582,111	$	573,994
Allowance for loan losses		**482**		452		457
Net loans		**613,734**		581,659		573,537
Investment in AgriBank, FCB		**11,709**		11,090		11,409
Investment securities		**2,483**		3,326		4,272
Accrued interest receivable		**10,083**		9,326		8,708
Deferred tax assets, net		**233**		298		277
Other assets		**4,451**		3,760		4,190
Total assets	**$**	**642,693**	$	609,459	$	602,393
LIABILITIES						
Note payable to AgriBank, FCB	**$**	**496,650**	$	469,764	$	472,701
Accrued interest payable		**2,289**		1,795		1,735
Patronage distribution payable		**5,500**		5,250		5,100
Other liabilities		**2,673**		4,982		2,708
Total liabilities		**507,112**		481,791		482,244
Contingencies and commitments (Note 11)						
MEMBERS' EQUITY						
Protected members' equity		**--**		--		1
Capital stock and participation certificates		**1,715**		1,742		1,756
Unallocated surplus		**133,866**		125,926		118,392
Total members' equity		**135,581**		127,668		120,149
Total liabilities and members' equity	**$**	**642,693**	$	609,459	$	602,393

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

CONSOLIDATED STATEMENTS OF INCOME

Progressive Farm Credit Services, ACA

(in thousands)

For the year ended December 31	2016	2015	2014
Interest income	**$ 27,319**	$ 24,987	$ 24,477
Interest expense	**8,736**	6,763	6,586
Net interest income	**18,583**	18,224	17,891
Provision for (reversal of) loan losses	**24**	(9)	83
Net interest income after provision for (reversal of) loan losses	**18,559**	18,233	17,808
Other income			
Patronage income	**2,105**	1,231	1,572
Financially related services income	**1,131**	1,172	1,400
Fee (expense) income, net	**(78)**	(14)	4
Miscellaneous income, net	**82**	57	80
Total other income	**3,240**	2,446	3,056
Operating expenses			
Salaries and employee benefits	**5,227**	5,208	4,592
Other operating expenses	**3,066**	2,707	2,528
Total operating expenses	**8,293**	7,915	7,120
Income before income taxes	**13,506**	12,764	13,744
Provision for (benefit from) income taxes	**66**	(20)	(5)
Net income	**$ 13,440**	$ 12,784	$ 13,749

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Progressive Farm Credit Services, ACA

(in thousands)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance as of December 31, 2013	$ 1	$ 1,811	$ 109,743	$ 111,555
Net income	--	--	13,749	13,749
Unallocated surplus designated for patronage distributions	--	--	(5,100)	(5,100)
Capital stock and participation certificates issued	--	91	--	91
Capital stock and participation certificates retired	--	(146)	--	(146)
Balance as of December 31, 2014	1	1,756	118,392	120,149
Net income	--	--	12,784	12,784
Unallocated surplus designated for patronage distributions	--	--	(5,250)	(5,250)
Capital stock and participation certificates issued	--	100	--	100
Capital stock and participation certificates retired	(1)	(114)	--	(115)
Balance as of December 31, 2015	--	1,742	125,926	127,668
Net income	**--**	**--**	**13,440**	**13,440**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(5,500)**	**(5,500)**
Capital stock and participation certificates issued	**--**	**99**	**--**	**99**
Capital stock and participation certificates retired	**--**	**(126)**	**--**	**(126)**
Balance as of December 31, 2016	**$ --**	**$ 1,715**	**$ 133,866**	**$ 135,581**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Progressive Farm Credit Services, ACA

(in thousands)

For the year ended December 31		**2016**		2015		2014
Cash flows from operating activities						
Net income	**$**	**13,440**	$	12,784	$	13,749
Depreciation on premises and equipment		**165**		189		194
Gain on sale of premises and equipment, net		**(41)**		(19)		(3)
Amortization of premiums on loans		**1,071**		754		545
Provision for (reversal of) loan losses		**24**		(9)		83
Stock patronage received from AgriBank, FCB		**--**		--		(839)
Changes in operating assets and liabilities:						
Increase in accrued interest receivable		**(770)**		(621)		(935)
(Increase) decrease in other assets		**(765)**		260		(8)
Increase in accrued interest payable		**494**		60		165
(Decrease) increase in other liabilities		**(2,309)**		2,274		(80)
Net cash provided by operating activities		**11,309**		15,672		12,871
Cash flows from investing activities						
Increase in loans, net		**(33,140)**		(8,835)		(23,037)
(Purchases) redemptions of investment in AgriBank, FCB, net		**(618)**		319		1,156
Redemptions of investment in other Farm Credit Institutions, net		**--**		1		--
Decrease in investment securities, net		**843**		946		1,200
Sales (purchases) of premises and equipment, net		**14**		(22)		(72)
Net cash used in investing activities		**(32,901)**		(7,591)		(20,753)
Cash flows from financing activities						
Increase (decrease) in note payable to AgriBank, FCB, net		**26,886**		(2,937)		12,070
Patronage distributions paid		**(5,250)**		(5,100)		(4,100)
Capital stock and participation certificates retired, net		**(44)**		(44)		(88)
Net cash provided by (used in) financing activities		**21,592**		(8,081)		7,882
Net change in cash		**--**		--		--
Cash at beginning of year		**--**		--		--
Cash at end of year	**$**	**--**	$	--	$	--
Supplemental schedule of non-cash activities						
Stock financed by loan activities	**$**	**67**	$	78	$	70
Stock applied against loan principal		**50**		49		37
Interest transferred to loans		**13**		3		--
Patronage distributions payable to members		**5,500**		5,250		5,100
Supplemental information						
Interest paid	**$**	**8,242**	$	6,703	$	6,421
Taxes paid		**5**		2		3

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Progressive Farm Credit Services, ACA

NOTE 1: ORGANIZATION AND OPERATIONS

Farm Credit System and District

The Farm Credit System (System) is a nationwide system of cooperatively owned banks and associations established by Congress to meet the credit needs of American agriculture. As of January 1, 2017, the System consisted of three Farm Credit Banks (FCB), one Agricultural Credit Bank (ACB), and 73 customer-owned cooperative lending institutions (associations). AgriBank, FCB (AgriBank), a System bank, and its affiliated Associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). At January 1, 2017, the District consisted of 17 Agricultural Credit Associations (ACA) that each have wholly-owned Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries.

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

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

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

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

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

Association

Progressive Farm Credit Services, ACA (the Association) and its subsidiaries, Progressive Farm Credit Services, FLCA and Progressive Farm Credit Services, PCA (subsidiaries) are lending institutions of the System. We are a customer-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in the counties of Bolinger, Butler, Cape Girardeau, Carter, Dunklin, Mississippi, New Madrid, Pemiscot, Ripley, Scott, Stoddard, and Wayne in the state of Missouri.

We borrow from AgriBank and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries.

We offer credit life, term life, crop hail, and multi-peril crop insurance to borrowers and those eligible to borrow.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles and Reporting Policies

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

Principles of Consolidation

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

Significant Accounting Policies

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

Generally we place loans in nonaccrual status when principal or interest is delinquent for 90 days or more (unless the loan is well secured and in the process of collection) or circumstances indicate that full collection is not expected.

When a loan is placed in nonaccrual status, we reverse current year accrued interest to the extent principal plus accrued interest before the transfer exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year is capitalized to the recorded investment of the loan, unless the net realizable value is less than the recorded investment in the loan, then it is charged-off against the allowance for loan losses. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and the loan does not have any unrecovered prior charge-offs. In these circumstances interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Nonaccrual loans may be returned to accrual status when principal and interest are current, prior charge-offs have been recovered, the ability of the borrower to fulfill the contractual repayment terms is fully expected, the borrower has demonstrated payment performance, and the loan is not classified as doubtful or loss.

In situations where, for economic or legal reasons related to the borrower’s financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a formally restructured loan for regulatory purposes. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as troubled debt restructurings are considered risk loans (as defined below).

Loans that are sold as participations are transferred as entire financial assets, groups of entire financial assets, or participating interests in the loans. The transfers of such assets or participating interests are structured such that control over the transferred assets, or participating interests have been surrendered and that all of the conditions have been met to be accounted for as a sale.

Allowance for Loan Losses: The allowance for loan losses is an estimate of losses in our loan 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.

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

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

An allowance is recorded for probable and estimable credit losses as of the financial statement date for loans that are not individually assessed as impaired. We use a two-dimensional loan risk rating model that incorporates a 14-point rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing the loss severity. The combination of estimated default probability and loss severity is the primary basis for recognition and measurement of loan collectability of these pools of loans. These estimated losses may be adjusted for relevant current environmental factors.

Changes in the allowance for loan losses consist of provision activity, recorded in “Provision for (reversal of) loan losses” in the Consolidated Statements of Income, recoveries, and charge-offs.

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

Investment Securities: We are authorized to purchase and hold certain types of investments. As we have the positive intent and ability to hold these investments to maturity, they have been classified as held-to-maturity and are carried at cost adjusted for the amortization of premiums and accretion of discounts. If an investment is determined to be other-than-temporarily impaired, the carrying value of the security is written down to fair value. The impairment loss is separated into credit related and non-credit related components. The credit related component is expensed through “Miscellaneous income, net” in the Consolidated Statements of Income in the period of impairment. The non-credit related component is recognized in other comprehensive income. Purchased premiums and discounts are amortized or accreted using the straight-line method, which approximates the interest method, over the estimated life of the security. Realized gains and losses are determined using specific identification method and are recognized in current operations.

Premises and Equipment: The carrying amount of premises and equipment is at cost, less accumulated depreciation and is included in “Other assets” in the Consolidated Statements of Condition. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets. Gains or losses on disposition are included in “Miscellaneous income, net” in the Consolidated Statements of Income. Depreciation and maintenance and repair expenses are included in “Other operating expenses” in the Consolidated Statements of Income and improvements are capitalized.

Post-Employment Benefit Plans: The District has various post-employment benefit plans in which our employees participate. Expenses related to these plans are included in “Salaries and employee benefits” in the Consolidated Statements of Income.

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

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

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

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

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

Patronage Program: We accrue patronage distributions according to a prescribed formula approved by the Board of Directors. Generally, we pay the accrued patronage during the first quarter after year end.

Off-Balance Sheet Credit Exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses. Any reserve for unfunded lending commitments is based on management's best estimate of losses inherent in these instruments, but the commitments have not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement are utilized in determining a reserve, if needed. Based on our assessment, any reserve is recorded in "Other liabilities" in the Consolidated Statements of Condition and a corresponding loss is recorded in "Provision for credit losses" in the Consolidated Statements of Income. However, no such reserve was necessary as of December 31, 2016, 2015, or 2014.

Cash: For purposes of reporting cash flow, cash includes cash on hand.

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

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

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

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

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own judgments about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Recently Issued or Adopted Accounting Pronouncements

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

Standard	Description	Effective date and financial statement impact
In June 2016, the FASB issued 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.

Standard	Description	Effective date and financial statement impact
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.
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 February 2015, the FASB issued ASU 2015-02 “Consolidation-Amendments to the Consolidation Analysis.”	The guidance modifies the assessment of Variable Interest Entity (VIE) characteristics as well as the assessment of related parties. Additional clarifying guidance was issued in October 2016 under ASU 2016-17 “Consolidation-Interests Held through Related Parties That are under Common Control.”	The guidance is effective for nonpublic entities for annual reporting after December 15, 2016 and interim periods within annual periods beginning after December 15, 2017. Early adoption is allowed, including in any interim period. The adoption of this guidance did not have a material impact on our financial condition, results of operations, cash flows, and financial statement disclosures.
In August 2014, the FASB issued ASU 2014-15 “Presentation of Financial Statements-Going Concern.”	The guidance requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year after the date the Financial Statements are issued or within one year after the Financial Statements are available to be issued, when applicable. Substantial doubt to continue as a going concern exists if it is probable that the entity will be unable to meet its obligations for the assessed period.	This guidance became effective for all entities for interim and annual periods ending after December 15, 2016. The adoption of this guidance did not have a material impact on our financial condition, results of operations, cash flows, or 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 3: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)	2016			2015			2014		
As of December 31		Amount	%		Amount	%		Amount	%
Real estate mortgage	**$**	**333,770**	**54.3%**	$	327,326	56.2%	$	312,029	54.4%
Production and intermediate term		**225,894**	**36.8%**		218,672	37.6%		220,253	38.4%
Agribusiness		**4,935**	**0.8%**		6,632	1.1%		11,297	2.0%
Other		**49,617**	**8.1%**		29,481	5.1%		30,415	5.2%
Total	**$**	**614,216**	**100.0%**	$	582,111	100.0%	$	573,994	100.0%

The other category is comprised of certain assets originated under our mission related investment authority as well as rural residential real estate loans.

Portfolio Concentrations

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

As of December 31, 2016, volume plus commitments to our ten largest borrowers totaled an amount equal to 10.6% of total loans and commitments.

While these concentrations represent our maximum potential credit risk, as it relates to recorded loan principal, a substantial portion of our lending activities are collateralized. This reduces our exposure to credit loss associated with our lending activities. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but typically includes farmland and income-producing property, such as crops and livestock. Long-term real estate loans are secured by the first liens on the underlying real property. FCA regulations state that long-term real estate loans are not to exceed 85% (97% if guaranteed by a government agency) of the property's appraised value at origination and our underwriting standards generally limit lending to no more than 75% at origination. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the lender in the collateral, may result in loan-to-value ratios in excess of the regulatory maximum. The District has an internally maintained database which uses market data to estimate market values of collateral for a significant portion of the real estate mortgage portfolio. We consider credit risk exposure in establishing the allowance for loan losses.

Participations

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

Participations Purchased and Sold

(in thousands)	AgriBank Participations				Other Farm Credit Institutions Participations				Total Participations			
As of December 31, 2016		Purchased		Sold		Purchased		Sold		Purchased		Sold
Real estate mortgage	**$**	**--**	**$**	**--**	**$**	**1,071**	**$**	**(4,316)**	**$**	**1,071**	**$**	**(4,316)**
Production and intermediate term		**--**		**--**		**--**		**(1,586)**		**--**		**(1,586)**
Agribusiness		**--**		**--**		**1,429**		**--**		**1,429**		**--**
Total	**$**	**--**	**$**	**--**	**$**	**2,500**	**$**	**(5,902)**	**$**	**2,500**	**$**	**(5,902)**

	AgriBank Participations				Other Farm Credit Institutions Participations				Total Participations			
As of December 31, 2015		Purchased		Sold		Purchased		Sold		Purchased		Sold
Real estate mortgage	$	--	$	--	$	--	$	(4,272)	$	--	$	(4,272)
Production and intermediate term		--		--		--		(1,239)		--		(1,239)
Agribusiness		--		--		1,586		--		1,586		--
Total	$	--	$	--	$	1,586	$	(5,511)	$	1,586	$	(5,511)

As of December 31, 2014	AgriBank Participations Purchased	AgriBank Participations Sold	Other Farm Credit Institutions Participations Purchased	Other Farm Credit Institutions Participations Sold	Total Participations Purchased	Total Participations Sold
Real estate mortgage	$ --	$ --	$ 175	$ (2,746)	$ 175	$ (2,746)
Production and intermediate term	--	(3,497)	--	(1,033)	--	(4,530)
Agribusiness	--	(3,084)	1,752	--	1,752	(3,084)
Total	$ --	$ (6,581)	$ 1,927	$ (3,779)	$ 1,927	$ (10,360)

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

Credit Quality and Delinquency

We utilize the FCA Uniform Classification System to categorize loans into five credit quality categories. The categories are:

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

We had no loans categorized as loss at December 31, 2016, 2015, or 2014.

Credit Quality of Loans

(dollars in thousands)	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2016	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$ 326,823**	**96.5%**	**$ 7,239**	**2.1%**	**$ 4,869**	**1.4%**	**$ 338,931**	**100.0%**
Production and intermediate term	**217,313**	**94.2%**	**11,473**	**5.0%**	**1,743**	**0.8%**	**230,529**	**100.0%**
Agribusiness	**4,297**	**85.7%**	**716**	**14.3%**	**--**	**--**	**5,013**	**100.0%**
Other	**49,811**	**100.0%**	**--**	**--**	**--**	**--**	**49,811**	**100.0%**
Total	**$ 598,244**	**95.8%**	**$ 19,428**	**3.1%**	**$ 6,612**	**1.1%**	**$ 624,284**	**100.0%**

	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2015	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 319,226	96.0%	$ 10,746	3.2%	$ 2,690	0.8%	$ 332,662	100.0%
Production and intermediate term	210,541	94.7%	11,094	5.0%	771	0.3%	222,406	100.0%
Agribusiness	5,653	84.2%	1,062	15.8%	--	--	6,715	100.0%
Other	29,629	100.0%	--	--	6	--	29,635	100.0%
Total	$ 565,049	95.5%	$ 22,902	3.9%	$ 3,467	0.6%	$ 591,418	100.0%

	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2014	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 308,835	97.6%	$ 5,479	1.7%	$ 2,254	0.7%	$ 316,568	100.0%
Production and intermediate term	217,229	97.0%	4,972	2.2%	1,856	0.8%	224,057	100.0%
Agribusiness	11,509	100.0%	--	--	--	--	11,509	100.0%
Other	30,544	100.0%	--	--	--	--	30,544	100.0%
Total	$ 568,117	97.5%	$ 10,451	1.8%	$ 4,110	0.7%	$ 582,678	100.0%

Note: Accruing loans include accrued interest receivable.

Aging Analysis of Loans

(in thousands) **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 Past Due and Accruing
Real estate mortgage	**$ 922**	**$ 268**	**$ 1,190**	**$ 337,741**	**$ 338,931**	**$ 143**
Production and intermediate term	**790**	**--**	**790**	**229,739**	**230,529**	**--**
Agribusiness	**--**	**--**	**--**	**5,013**	**5,013**	**--**
Other	**5,407**	**--**	**5,407**	**44,404**	**49,811**	**--**
Total	**$ 7,119**	**$ 268**	**$ 7,387**	**$ 616,897**	**$ 624,284**	**$ 143**

As of December 31, 2015	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 Past Due and Accruing
Real estate mortgage	$ 275	$ 21	$ 296	$ 332,366	$ 332,662	$ --
Production and intermediate term	26	--	26	222,380	222,406	--
Agribusiness	--	--	--	6,715	6,715	--
Other	1,805	928	2,733	26,902	29,635	928
Total	$ 2,106	$ 949	$ 3,055	$ 588,363	$ 591,418	$ 928

As of December 31, 2014	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 Past Due and Accruing
Real estate mortgage	$ 280	$ --	$ 280	$ 316,288	$ 316,568	$ --
Production and intermediate term	2	--	2	224,055	224,057	--
Agribusiness	--	--	--	11,509	11,509	--
Other	1,001	--	1,001	29,543	30,544	--
Total	$ 1,283	$ --	$ 1,283	$ 581,395	$ 582,678	$ --

Note: Accruing loans include accrued interest receivable.

All loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection and, as such, were eligible to remain in accruing status.

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. Interest income recognized and cash payments received on nonaccrual risk loans are applied as described in Note 2.

Risk Loan Information

(in thousands)

As of December 31	**2016**	2015	2014
Nonaccrual loans:			
Current as to principal and interest	**$ 2,855**	$ 560	$ 590
Past due	**125**	26	--
Total nonaccrual loans	**2,980**	586	590
Accruing loans 90 days or more past due	**143**	928	--
Total risk loans	**$ 3,123**	$ 1,514	$ 590
Volume with specific reserves	**$ 473**	$ 521	$ 590
Volume without specific reserves	**2,650**	993	--
Total risk loans	**$ 3,123**	$ 1,514	$ 590
Total specific reserves	**$ 35**	$ 35	$ 75

For the year ended December 31	**2016**	2015	2014
Income on accrual risk loans	**$ 8**	$ 21	$ 13
Income on nonaccrual loans	**30**	55	25
Total income on risk loans	**$ 38**	$ 76	$ 38
Average recorded risk loans	**$ 2,040**	$ 1,052	$ 786

Note: Accruing loans include accrued interest receivable.

To mitigate credit risk, we have entered into a Standby Commitment to Purchase Agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac). In the event of default, subject to certain conditions, we have the right to sell the loans identified in the agreement to Farmer Mac. This agreement remains in place until the loan is paid in full. The guaranteed volume of loans subject to the purchase agreement was $16.5 million, $19.5 million, and $8.6 million at December 31, 2016, 2015, and 2014, respectively. Fees paid to Farmer Mac for these commitments totaled $76 thousand, $40 thousand, and $30 thousand in 2016, 2015, and 2014, respectively. These amounts are included in "Miscellaneous income, net" in the Consolidated Statements of Income. As of December 31, 2016, no loans have been sold to Farmer Mac under this agreement.

Nonaccrual Loans by Loan Type

(in thousands)

As of December 31	**2016**	2015	2014
Real estate mortgage	**$ 2,369**	$ 557	$ 590
Production and intermediate term	**611**	23	--
Other	**--**	6	--
Total	**$ 2,980**	$ 586	$ 590

Additional Impaired Loan Information by Loan Type

(in thousands)	As of December 31, 2016 Recorded Investment	As of December 31, 2016 Unpaid Principal Balance	As of December 31, 2016 Related Allowance	For the year ended December 31, 2016 Average Impaired Loans	For the year ended December 31, 2016 Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	**$ 473**	**$ 564**	**$ 35**	**$ 295**	**$ --**
Production and intermediate term	**--**	**--**	**--**	**--**	**--**
Agribusiness	**--**	**--**	**--**	**--**	**--**
Other	**--**	**--**	**--**	**--**	**--**
Total	**$ 473**	**$ 564**	**$ 35**	**$ 295**	**$ --**
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	**$ 2,039**	**$ 2,040**	**$ --**	**$ 1,270**	**$ 15**
Production and intermediate term	**611**	**1,164**	**--**	**356**	**17**
Agribusiness	**--**	**--**	**--**	**10**	**--**
Other	**--**	**--**	**--**	**109**	**6**
Total	**$ 2,650**	**$ 3,204**	**$ --**	**$ 1,745**	**$ 38**
Total impaired loans:					
Real estate mortgage	**$ 2,512**	**$ 2,604**	**$ 35**	**$ 1,565**	**$ 15**
Production and intermediate term	**611**	**1,164**	**--**	**356**	**17**
Agribusiness	**--**	**--**	**--**	**10**	**--**
Other	**--**	**--**	**--**	**109**	**6**
Total	**$ 3,123**	**$ 3,768**	**$ 35**	**$ 2,040**	**$ 38**

	As of December 31, 2015 Recorded Investment	As of December 31, 2015 Unpaid Principal Balance	As of December 31, 2015 Related Allowance	For the year ended December 31, 2015 Average Impaired Loans	For the year ended December 31, 2015 Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ 521	$ 608	$ 35	$ 548	$ --
Production and intermediate term	--	--	--	--	--
Agribusiness	--	--	--	--	--
Other	--	--	--	--	--
Total	$ 521	$ 608	$ 35	$ 548	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 36	$ 37	$ --	$ 38	$ 33
Production and intermediate term	23	558	--	33	22
Agribusiness	--	--	--	--	--
Other	934	909	--	433	21
Total	$ 993	$ 1,504	$ --	$ 504	$ 76
Total impaired loans:					
Real estate mortgage	$ 557	$ 645	$ 35	$ 586	$ 33
Production and intermediate term	23	558	--	33	22
Agribusiness	--	--	--	--	--
Other	934	909	--	433	21
Total	$ 1,514	$ 2,112	$ 35	$ 1,052	$ 76

	As of December 31, 2014			For the year ended December 31, 2014	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ 590	$ 640	$ 75	$ 523	$ --
Production and intermediate term	--	--	--	--	--
Agribusiness	--	--	--	--	--
Other	--	--	--	--	--
Total	$ 590	$ 640	$ 75	$ 523	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ --	$ --	$ --	$ --	$ 18
Production and intermediate term	--	534	--	7	8
Agribusiness	--	--	--	--	--
Other	--	--	--	256	12
Total	$ --	$ 534	$ --	$ 263	$ 38
Total impaired loans:					
Real estate mortgage	$ 590	$ 640	$ 75	$ 523	$ 18
Production and intermediate term	--	534	--	7	8
Agribusiness	--	--	--	--	--
Other	--	--	--	256	12
Total	$ 590	$ 1,174	$ 75	$ 786	$ 38

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

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

We had $590 thousand of commitments to lend additional money to borrowers whose loans were at risk at December 31, 2016.

Troubled Debt Restructurings (TDRs)

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

There was a TDR of a certain real estate mortgage loan during the year ended December 31, 2014. This modification was an interest rate reduction below market. Our recorded investment in this loan just prior to and immediately following the restructuring was $629 thousand. The recorded investment of the loan is the face 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. There were no TDRs that occurred during the years ended December 31, 2016 or 2015.

There were no TDRs that defaulted during the years ended December 31, 2016, 2015, or 2014 in which the modification was within twelve months of the respective reporting period.

TDRs outstanding in the real estate mortgage loan category totaled $473 thousand, $521 thousand, and $590 thousand, all of which were in nonaccrual status at December 31, 2016, 2015, and 2014, respectively.

There were no commitments to lend to borrowers whose loans have been modified in a TDR at December 31, 2016.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) For the year ended December 31	**2016**	2015	2014
Balance at beginning of year	**$ 452**	$ 457	$ 382
Provision for (reversal of) loan losses	**24**	(9)	83
Loan recoveries	**6**	4	9
Loan charge-offs	**--**	--	(17)
Balance at end of year	**$ 482**	$ 452	$ 457

The increase in the allowance for loan losses is due to provision for loan losses recognized during the year ended December 31, 2016 reflecting the slight decline in credit quality as of December 31, 2016 as compared to the prior year.

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

(in thousands)	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2015	**$ 139**	**$ 306**	**$ 7**	**$ --**	**$ 452**
(Reversal of) provision for loan losses	**(25)**	**50**	**(1)**	**--**	**24**
Loan recoveries	**6**	**--**	**--**	**--**	**6**
Loan charge-offs	**--**	**--**	**--**	**--**	**--**
Balance as of December 31, 2016	**$ 120**	**$ 356**	**$ 6**	**$ --**	**$ 482**
Ending balance: individually evaluated for impairment	**$ 35**	**$ --**	**$ --**	**$ --**	**$ 35**
Ending balance: collectively evaluated for impairment	**$ 85**	**$ 356**	**$ 6**	**$ --**	**$ 447**
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2016	**$ 338,931**	**$ 230,529**	**$ 5,013**	**$ 49,811**	**$ 624,284**
Ending balance: individually evaluated for impairment	**$ 2,512**	**$ 611**	**$ --**	**$ --**	**$ 3,123**
Ending balance: collectively evaluated for impairment	**$ 336,419**	**$ 229,918**	**$ 5,013**	**$ 49,811**	**$ 621,161**

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2014	$ 164	$ 281	$ 12	$ --	$ 457
(Reversal of) provision for loan losses	(29)	25	(5)	--	(9)
Loan recoveries	4	--	--	--	4
Loan charge-offs	--	--	--	--	--
Balance as of December 31, 2015	$ 139	$ 306	$ 7	$ --	$ 452
Ending balance: individually evaluated for impairment	$ 35	$ --	$ --	$ --	$ 35
Ending balance: collectively evaluated for impairment	$ 104	$ 306	$ 7	$ --	$ 417
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2015	$ 332,662	$ 222,406	$ 6,715	$ 29,635	$ 591,418
Ending balance: individually evaluated for impairment	$ 557	$ 23	$ --	$ 934	$ 1,514
Ending balance: collectively evaluated for impairment	$ 332,105	$ 222,383	$ 6,715	$ 28,701	$ 589,904

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2013	$ 77	$ 281	$ 24	$ --	$ 382
Provision for (reversal of) loan losses	82	13	(12)	--	83
Loan recoveries	5	4	--	--	9
Loan charge-offs	--	(17)	--	--	(17)
Balance as of December 31, 2014	$ 164	$ 281	$ 12	$ --	$ 457
Ending balance: individually evaluated for impairment	$ 75	$ --	$ --	$ --	$ 75
Ending balance: collectively evaluated for impairment	$ 89	$ 281	$ 12	$ --	$ 382
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2014	$ 316,568	$ 224,057	$ 11,509	$ 30,544	$ 582,678
Ending balance: individually evaluated for impairment	$ 590	$ --	$ --	$ --	$ 590
Ending balance: collectively evaluated for impairment	$ 315,978	$ 224,057	$ 11,509	$ 30,544	$ 582,088

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

NOTE 4: INVESTMENT IN AGRIBANK

As of December 31, 2016 we were required by AgriBank to maintain an investment 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. In December 2016, AgriBank's Board approved the 2017 capital plan, which amended the required stock investments for affiliated Associations, effective January 1, 2017. The new required investment will be the lesser of 4.0% or a multiple component calculation based on a percentage of our average quarterly balance of our note payable to AgriBank with a higher percentage on balances above a sustainable growth rate and includes a component for additional investments under the asset pool program. The 2017 component requirements are currently 2.25% on average note payable, with an additional 4.5% on growth in excess of a 5.5% sustainable growth rate and an 8.0% investment under the asset pool program.

Investment in AgriBank

(in thousands)

As of December 31	**2016**	2015	2014
Required stock investment	**$ 11,709**	$ 11,079	$ 11,409
Allocated excess stock investment	**--**	11	--
Total investment	**$ 11,709**	$ 11,090	$ 11,409

Allocated excess stock investment is recorded when the required investment in AgriBank is lower than our permanent investment. See Note 8 for discussion of the permanent investment.

NOTE 5: INVESTMENT SECURITIES

We held investment securities of $2.5 million, $3.3 million, and $4.3 million at December 31, 2016, 2015, and 2014, respectively. Our investment securities consisted of securities containing loans fully guaranteed by the Small Business Administration.

The investment securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. To date, we have not recognized any impairment on our investment portfolio.

Additional Investment Securities Information

(dollars in thousands)

As of December 31	**2016**	2015	2014
Amortized cost	**$ 2,483**	$ 3,326	$ 4,272
Unrealized gains	**92**	135	211
Unrealized losses	**(25)**	(6)	(4)
Fair value	**$ 2,550**	$ 3,455	$ 4,479
Weighted average yield	**3.4%**	3.2%	3.3%

Investment income is recorded in "Interest income" in the Consolidated Statements of Income and totaled $100 thousand, $123 thousand, and $159 thousand in 2016, 2015, and 2014, respectively.

NOTE 6: NOTE PAYABLE TO AGRIBANK

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

Note Payable Information

(dollars in thousands)

As of December 31	**2016**	2015	2014
Line of credit	**$ 635,000**	$ 625,000	$ 600,000
Outstanding principal under the line of credit	**496,650**	469,764	472,701
Interest rate	**1.8%**	1.5%	1.4%

Our note payable matures June 30, 2017, at which time the note will be renegotiated.

The GFA provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances, credit quality, and financial condition. At December 31, 2016, and throughout the year, we materially complied with the GFA terms and were not declared in default under any GFA covenants or provisions.

NOTE 7: MEMBERS' EQUITY

Capitalization Requirements

In accordance with the Farm Credit Act, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2.0% of the customer's total loan(s) or one thousand dollars, whichever is less. The purchase of one participation certificate is required of all non-stockholder customers who purchase financial services. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan or lease is made. The aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

Regulatory Capitalization Requirements

Select Capital Ratios

As of December 31	**2016**	2015	2014	Regulatory Minimums
Permanent capital ratio	**19.6%**	19.5%	17.8%	7.0%
Total surplus ratio	**19.4%**	19.2%	17.5%	7.0%
Core surplus ratio	**19.4%**	19.2%	17.5%	3.5%

These ratios are calculated in accordance with FCA Regulations and are discussed below:

- The permanent capital ratio is average at-risk capital plus any allocated excess stock divided by average risk-adjusted assets.
- The total surplus ratio is average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets.
- The core surplus ratio is average unallocated surplus less any deductions made in the computation of total surplus and less any allocated excess stock investment in AgriBank divided by average risk-adjusted assets.

Risk-adjusted assets have been defined by 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.

Effective January 1, 2017, the regulatory capital requirements for System Banks and Associations were modified. The final rule replaced existing core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The final rule 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 the final rule.

FCA Revised Capital Requirements

	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:			
Common equity tier 1 ratio	4.5%	2.5%	7.0%
Tier 1 capital ratio	6.0%	2.5%	8.5%
Total capital ratio	8.0%	2.5%	10.5%
Non-risk adjusted:			
Tier 1 leverage ratio	4.0%	1.0%	5.0%
UREE leverage ratio	1.5%	0.0%	1.5%

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.

Regulatory capital included any allocated investment in AgriBank that is in excess of the required investment under an allotment agreement with AgriBank. We included $11 thousand of our investment in AgriBank as capital at December 31, 2015. These changes did not have a material impact on our regulatory capital ratios. We had no excess stock at December 31, 2016, or 2014. 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 will not be included in the common equity tier 1, tier 1 capital, total capital, or leverage ratios.

Description of Equities

The following represents information regarding classes and number of shares of stock and participation certificates outstanding. All shares and participation certificates are stated at a $5.00 par value.

	Number of Shares		
As of December 31	**2016**	2015	2014
Class A common stock (protected)	**--**	--	199
Class B common stock (at-risk)	**8,128**	2,719	1,919
Class C common stock (at-risk)	**331,552**	340,925	343,645
Series 2 participation certificates	**3,314**	4,810	5,610

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

Only holders of Class C stock have voting rights. Our bylaws do not prohibit us from paying dividends on any classes of stock. However, no dividends have been declared to date.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of our Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2016, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In the event of our liquidation or dissolution, according to our bylaws, any remaining assets after payment or retirement of all liabilities will be distributed first, to holders of preferred stock, and second, pro rata to holders of all classes of common stock and participation certificates.

In the event of impairment, losses will be absorbed first by concurrent impairment of all classes of common stock and participation certificates, then by holders of preferred stock.

All classes of stock are transferable to other customers who are eligible to hold such class as long as we meet the regulatory minimum capital requirements.

Patronage Distributions

We accrued patronage distributions of $5.5 million, $5.3 million, and $5.1 million at December 31, 2016, 2015, and 2014, respectively. Generally, the patronage distributions are paid in cash during the first quarter after year end. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

The FCA Regulations prohibit patronage distributions to the extent they would reduce our permanent capital ratio below the minimum permanent capital adequacy standards. Additionally, effective January 1, 2017, patronage distributions may be restricted or prohibited without prior FCA approval if capital ratios fall below the total requirements, including the buffer amounts. We do not foresee any events that would result in this prohibition in 2017.

NOTE 8: INCOME TAXES

Provision for (Benefit from) Income Taxes

Provision for (Benefit from) Income Taxes

(dollars in thousands)

For the year ended December 31		**2016**		2015		2014
Current:						
Federal	**$**	**1**	$	1	$	(1)
State		**--**		--		1
Total current	**$**	**1**	$	1	$	--
Deferred:						
Federal	**$**	**65**	$	(21)	$	(5)
Total deferred		**65**		(21)		(5)
Provision for (benefit from) income taxes	**$**	**66**	$	(20)	$	(5)
Effective tax rate		**0.5%**		(0.2%)		0.0%

Reconciliation of Taxes at Federal Statutory Rate to Provision for (Benefit from) Income Taxes

(in thousands)

For the year ended December 31		**2016**		2015		2014
Federal tax at statutory rates	**$**	**4,592**	$	4,340	$	4,673
Patronage distributions		**(1,631)**		(1,120)		(1,239)
Effect of non-taxable entity		**(2,354)**		(3,234)		(3,388)
Other		**(541)**		(6)		(51)
Provision for (benefit from) income taxes	**$**	**66**	$	(20)	$	(5)

Deferred Income Taxes

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

Deferred Tax Assets and Liabilities

(in thousands)

As of December 31		**2016**		2015		2014
Allowance for loan losses	**$**	**113**	$	103	$	103
Postretirement benefit accrual		**238**		244		246
Accrued incentive		**118**		120		102
Accrued pension asset		**(280)**		(210)		(212)
Other assets		**50**		49		48
Other liabilities		**(6)**		(8)		(10)
Deferred tax assets, net	**$**	**233**	$	298	$	277
Gross deferred tax assets	**$**	**519**	$	516	$	499
Gross deferred tax liabilities	**$**	**(286)**	$	(218)	$	(222)

A valuation allowance for the deferred tax assets was not necessary at December 31, 2016, 2015, or 2014.

We have not provided for deferred income taxes on patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. Our total permanent investment in AgriBank is $10.0 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $96.4 million as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

Our income tax returns are subject to review by various United States taxing authorities. We record accruals for items that we believe may be challenged by these taxing authorities. However, we had no uncertain income tax positions at December 31, 2016. In addition, we believe we are no longer subject to income tax examinations for years prior to 2013.

NOTE 9: EMPLOYEE BENEFIT PLANS

Pension and Post-Employment Benefit Plans

Complete financial information for the pension and post-employment benefit plans may be found in the Combined AgriBank and affiliated Associations 2016 Annual Report (District financial statements).

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans. These governance committees are comprised of elected or appointed representatives (senior leadership and/or Board of Director members) from the participating organizations. The Coordinating Committee (a subset of the Plan Sponsor Committee comprised of AgriBank District representatives) is responsible for decisions regarding retirement benefits at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

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

AgriBank District Retirement Plan Information

(in thousands)

As of December 31	**2016**	2015	2014
Unfunded liability	**$ 374,305**	$ 453,825	$ 423,881
Projected benefit obligation	**1,269,625**	1,255,259	1,234,960
Fair value of plan assets	**895,320**	801,434	811,079
Accumulated benefit obligation	**1,096,913**	1,064,133	1,051,801

For the year ended December 31	**2016**	2015	2014
Total plan expense	**$ 53,139**	$ 63,800	$ 45,827
Our allocated share of plan expenses	**639**	756	503
Contributions by participating employers	**90,000**	62,722	52,032
Our allocated share of contributions	**1,070**	744	573

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

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding. Our allocated share of plan expenses is included in "Salaries and employee benefits" in the Consolidated Statements of Income.

Benefits paid to participants in the District were $56.4 million in 2016. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plan during 2017 is $90.0 million. Our allocated share of these pension contributions is expected to be $1.1 million. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.

Retiree Medical Plans: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plans. The anticipated costs of these benefits are accrued during the period of the employee's active status.

Retiree Medical Plan Information

(in thousands) For the year ended December 31		2016		2015		2014
Postretirement benefit expense	$	**4**	$	40	$	20
Our cash contributions		**41**		48		54

Postretirement benefit costs are included in “Salaries and employee benefits” in the Consolidated Statements of Income. Our cash contributions are equal to the benefits paid.

Defined Contribution Plans

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

Employer contribution expenses for the defined contribution plan, included in “Salaries and employee benefits” in the Consolidated Statements of Income, were $202 thousand, $159 thousand, and $150 thousand in 2016, 2015, and 2014, respectively. These expenses were equal to our cash contributions for each year.

NOTE 10: RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions may be subject to special approval requirements contained in the FCA Regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with other persons. In our opinion, none of these loans outstanding at December 31, 2016 involved more than a normal risk of collectability.

Related Party Loans Information

(in thousands)		2016		2015		2014
As of December 31:						
Total related party loans	$	**6,525**	$	6,372	$	5,930
For the year ended December 31:						
Advances to related parties	$	**5,841**	$	6,895	$	5,758
Repayments by related parties		**7,523**		6,711		4,961

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

As discussed in Note 6, we borrow from AgriBank, in the form of a line of credit, to fund our loan portfolio.

We purchase various services from AgriBank including certain financial and retail systems, financial reporting services, tax reporting services, technology services, insurance services, and internal audit services. The total cost of services we purchased from AgriBank was $486 thousand, $445 thousand, and $466 thousand in 2016, 2015, and 2014, respectively.

We also purchase human resource information systems, benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). As of December 31, 2016, 2015, and 2014, our investment in Foundations was $11 thousand. The total cost of services purchased from Foundations was $76 thousand, $77 thousand, and $64 thousand in 2016, 2015, and 2014, respectively.

NOTE 11: CONTINGENCIES AND COMMITMENTS

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

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

We have commitments to extend credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk that may be recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. At December 31, 2016, we had commitments to extend credit of $154.8 million.

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

NOTE 12: FAIR VALUE MEASUREMENTS

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

We did not have any assets or liabilities measured at fair value on a recurring basis at December 31, 2016, 2015, or 2014.

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 December 31, 2016	Fair Value Measurement Using				
	Level 1	Level 2	Level 3	Total Fair Value	Total Gains (Losses)
Impaired loans	**$ --**	**$ --**	**$ 460**	**$ 460**	**$ --**

As of December 31, 2015	Fair Value Measurement Using				
	Level 1	Level 2	Level 3	Total Fair Value	Total Gains
Impaired loans	$ --	$ --	$ 510	$ 510	$ 40

As of December 31, 2014	Fair Value Measurement Using				
	Level 1	Level 2	Level 3	Total Fair Value	Total (Losses)
Impaired loans	$ --	$ --	$ 541	$ 541	$ (91)

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.

NOTE 13: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 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 2016 Consolidated Financial Statements or disclosures in the Notes to Consolidated Financial Statements.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

Progressive Farm Credit Services, ACA
(Unaudited)

Description of Business

General information regarding the business is incorporated herein by reference from Note 1 to the accompanying Consolidated Financial Statements.

The description of significant business developments, if any, is incorporated herein by reference from the “Management's Discussion and Analysis" section of the accompanying Consolidated Financial Statements.

Description of Property

Property Information

Location	Description	Usage
Sikeston, MO	Owned	Headquarters
Sikeston, MO	Owned	Branch
Mississippi County, MO	Owned	Branch
Dexter, MO	Owned	Branch
Jackson, MO	Owned	Branch
Kennett, MO	Owned	Branch
Portageville, MO	Owned	Branch
Poplar Bluff, MO	Owned	Branch

Legal Proceedings

Information regarding legal proceedings is discussed in Note 11 to the accompanying Consolidated Financial Statements. We were not subject to any enforcement actions as of December 31, 2016.

Description of Capital Structure

Information regarding our capital structure is discussed in Note 7 to the accompanying Consolidated Financial Statements.

Description of Liabilities

Information regarding liabilities is discussed in Notes 6, 7, 8, 9, and 11 to the accompanying Consolidated Financial Statements.

Selected Financial Data

The "Consolidated Five-Year Summary of Selected Financial Data” is presented at the beginning of the accompanying Consolidated Financial Statements.

Management’s Discussion and Analysis

Information regarding any material aspects of our financial condition, changes in financial condition, and results of operations are discussed in the "Management's Discussion and Analysis” section of the accompanying Consolidated Financial Statements.

Board of Directors

Board of Directors as of December 31, 2016, including business experience during the last five years

Name	Term	Principal Occupation and Other Affiliations
Markel D. Yarbro Chairperson Service Began: 1998	2016 - 2019	**Principal Occupation:** Self-employed grain farmer **Other Affiliations:** Board Member (Secretary): Ozark Border Electric Coop (rural electric cooperative) Board Chairman: M&A Electric Coop Board (rural electric cooperative)
Darrell Nichols Vice-Chairperson Service Began: 1996	2014 - 2017	**Principal Occupation:** Self-employed grain and rice farmer
Michael Aufdenberg Service Began: 2012	2015 - 2018	**Principal Occupation:** Self-employed grain and livestock farmer **Other Affiliations:** Board Member: SEMO Cattlemen's Association (beef promotion and education)
Jennifer Hendrickson Outside Director Service Began: 2013	2015 - 2018	**Principal Occupation:** Owner and President of Hendrickson Business Advisors, LLC, a business consulting firm Owner and President of Hendrickson Business Brokers, LLC, a brokerage company Owner of Hendrickson Holdings - a commercial real estate company **Other Affiliations:** Advisory Director: Center for Innovation and Entrepreneurship, a business support entity located in Cape Girardeau, Missouri
Ed C. Marshall III Service Began: 2005	2014 - 2017	**Principal Occupation:** Self-employed grain farmer **Other Affiliations:** President: Levee District #3, a special levee maintenance taxing entity located in Mississippi County
James Priggel Service Began: 2010	2016 - 2019	**Principal Occupation:** Self-employed grain and cotton farmer
John Robinson Service Began: 1998	2014 - 2017	**Principal Occupation:** Self-employed grain and cotton farmer **Other Affiliations:** Board member (Treasurer): Drainage District Ditch #37, a special drainage ditch taxing entity located in Dexter, Missouri
Phillip M. Showmaker Outside Director Audit Committee Chairperson Service Began: 2011	2016 - 2019	**Principal Occupation:** Partner of Clay, Showmaker & Clay, LLP, a CPA firm located in Sikeston, Missouri Partner of Clay & Showmaker, a financial services company
Marty Vancil Service Began: 2012	2015 - 2018	**Principal Occupation:** Self-employed grain and cotton farmer

Pursuant to our bylaws, directors are paid a reasonable amount for attendance at board meetings, committee meetings, or other special assignments. Directors are also reimbursed for reasonable expenses incurred in connection with such meetings or assignments. The Board of Directors has adopted a rate of $500 per day and a per diem rate of $175 per conference call.

Information regarding compensation paid to each director who served during 2016 follows:

Name	Number of Days Served: Board Meetings	Number of Days Served: Other Official Activities	Compensation Paid for Service on a Board Committee	Name of Committee	Total Compensation Paid in 2016
Michael Aufdenberg	10	2	$ 350	Audit	$ 5,468
Jennifer Hendrickson	11	11	350	Audit	10,468
Ed C. Marshall III	11	1	175	Audit	5,693
Darrell Nichols	10	7	350	Audit	7,968
James Priggel	11	4	350	Audit	6,968
John Robinson	10	2	350	Audit	5,468
Phillip M. Showmaker	11	10	1,375	Audit	8,893
Marty Vancil	11	5	175	Audit	7,693
Markel D. Yarbro	11	12	525	Audit	9,893
					$ 68,512

Senior Officers

The senior officers (and the date each began his current position) who served as of December 31, 2016, include:

Robert E. Smith, Chief Executive Officer (September 2016)
William Comstock, Senior Vice President/Chief Credit Officer (October 2015)
Chad E. Crow, Senior Vice President/Chief Operating Officer (October 2015)
Vernon D. Griffith, Senior Vice President /Chief Financial Officer (November 1991)

Effective January 1, 2017, the Senior Vice President/Chief Operating Officer position was eliminated and Chad E. Crow transferred to the position of Senior Vice President/Senior Relationship Officer as a senior lender and leading the business development efforts for four branch offices. The titles for William Comstock and Vernon Griffith were changed to Executive Vice President/Chief Lending Officer and Executive Vice President /Chief Financial Officer, respectively. Beginning January 1, 2017, the ongoing Senior Officers for the association will be Robert E. Smith, William Comstock, and Vernon D. Griffith.

During the past five years:

- Robert E. Smith served as Senior Vice President/Chief Credit Officer
- Chad E. Crow served as Vice President and Branch Manager
- William Comstock served as Chief Relationship Officer at Farm Credit of the Virginias
- Vernon D. Griffith has held his current position

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

Transactions with Senior Officers and Directors

Information regarding related party transactions is discussed in Note 10 to the accompanying Consolidated Financial Statements.

Travel, Subsistence, and Other Related Expenses

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

1116 N. Main Street
Sikeston, MO 63801
(573) 471-0342
www.progressivefcs.com
progressivefcs@progressivefcs.com

The total directors' travel, subsistence, and other related expenses were $24 thousand, $12 thousand, and $13 thousand in 2016, 2015, and 2014, respectively.

Involvement in Certain Legal Proceedings

No events occurred during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2017 or at any time during 2016.

Member Privacy

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

Relationship with Qualified Public Accountant

There were no changes in independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total fees paid during 2016 were $22 thousand. The fees paid were for audit services.

Financial Statements

The "Report of Management", "Report of Audit Committee", "Report of Independent Auditors", "Consolidated Financial Statements", and "Notes to Consolidated Financial Statements" are presented prior to this portion of the accompanying Consolidated Financial Statements.

Young, Beginning, and Small Farmers and Ranchers

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

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

Progressive Farm Credit Services, ACA
(Unaudited)

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

- Young: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.
- Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan transaction date.
    - A loan to a "young" or "beginning" borrower qualifies if the young or beginning borrower is obligated on the note or is an owner of the closely held entity financed. A loan to a publicly held entity or other entity that is not closely held does not qualify.
- Small: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $250 thousand in annual gross sales of agricultural or aquatic products.

Demographics

Based on the United States Department of Agriculture (USDA) 2012 Census of Agriculture, 6.17% of the farmers in our 12 county territory are young farmers (up to age 34); 16.46% of the farmers in the territory are beginning farmers (up to 9 years 'on the present farm'); and 76.70% of the farms are small farms ($1 thousand to $249 thousand gross farm income).

The USDA Census definitions are in parentheses above. Please note that the USDA Census definitions do not exactly match the accepted YBS definitions widely used in the Farm Credit System as listed in the previous section and therefore the Census percentages are not necessarily comparable to the associations' percentages.

Mission Statement

Young, beginning, and small farmers and ranchers and producers or harvesters of aquatic products are valued customers of our Association. It is our mission to provide sound and constructive credit and services to young, beginning, and small farmers and ranchers, and producers or harvesters of aquatic products to the maximum extent possible consistent with safe and sound business practices and within our risk-bearing capacity.

Quantitative Goals and Results

Below are the 2016 targets and actual results for our young, beginning and small farmers and ranchers program:

2016 Target	2016 Actual Results
15% by Number	19.3% Young Farmers (all existing)
15% by Number	21.2% Young Farmers (new loans in 2016)
10% by Volume	16.7% Young Farmers (all existing)
10% by Volume	17.6% Young Farmers (new loans in 2016)
15% by Number	22.8% Beginning Farmers (all existing)
15% by Number	26.5% Beginning Farmers (new loans in 2016)
10% by Volume	20.0% Beginning Farmers (all existing)
10% by Volume	22.3% Beginning Farmers (new loans in 2016)
15% by Number	40.0% Small Farmers (all existing)
15% by Number	35.5% Small Farmers (new loans in 2016)
10% by Volume	14.1% Small Farmers (all existing)
10% by Volume	8.7% Small Farmers (new loans in 2016)

The following tables detail the level of new business generated in 2016 plus the level of business outstanding as of December 31, 2016, both by number of loans and by volume for young and beginning farmers and ranchers:

Young and Beginning Farmers and Ranchers – Gross New Business During 2016				
Category	Number Of Loans	Percent of Total	Volume Outstanding (in thousands)	Percent of Total
Total gross new loans and commitments made during the year	1,081	100.0%	$320,071	100.00%
Total loans and commitments made to young farmers and ranchers	229	21.2%	$56,450	17.6%
Total loans and commitments made to beginning farmers and ranchers	286	26.5%	$71,253	22.3%

Young and Beginning Farmers and Ranchers – Number/Volume of Loans Outstanding at December 31, 2016				
Category	Number Of Loans	Percent of Total	Volume Outstanding (in thousands)	Percent of Total
Total loans and commitments outstanding at year end	3,932	100.0%	$766,869	100.00%
Young farmers and ranchers	760	19.3%	$128,305	16.7%
Beginning farmers and ranchers	898	22.8%	$153,490	20.0%

The following tables detail the level of new business generated in 2016 plus the level of business outstanding as of December 31, 2016, both by number of loans and by volume for small farmers and ranchers:

Small Farmers and Ranchers - Gross New Business by Loan Size During 2016				
Number/Volume	$0 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 and greater
Total number of new loans and commitments made during the year	348	164	218	351
Total number of loans made to small farmers and ranchers during the year	236	73	58	17
Number of loans to small farmers and ranchers as a % of total number of loans	67.8%	44.5%	26.6%	4.8%
Total gross loan volume of all new loans and commitments made during the year (in thousands)	$8,205	$12,953	$36,615	$262,298
Total gross loan volume to small farmers and ranchers (in thousands)	$5,166	$5,489	$8,914	$8,289
Loan volume to small farmers and ranchers as a % of total gross new loan volume	63.0%	42.4%	24.4%	3.2%

Small Farmers and Ranchers- Number/Volume of Loans Outstanding by Loan Size at December 31, 2016				
Number/Volume Outstanding	$0 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 and greater
Total loans and commitments outstanding at year end	1,666	646	799	821
Total number of loans to small farmers and ranchers	1,001	248	245	78
Number of loans to small farmers and ranchers as a % of total number of loans	60.1%	38.4%	30.7%	9.5%
Total loan volume outstanding at year end (in thousands)	$35,060	$47,582	$129,023	$555,204
Total loan volume to small farmers and ranchers (in thousands)	$18,904	$17,814	$37,741	$33,399
Loan volume to small farmers and ranchers as a % of total loan volume	53.9%	37.4%	29.3%	6.0%

Qualitative Goals and Outreach Programs

We set the following six qualitative goals for 2016:

- Offer credit and related services in coordination with Farm Service Agency (FSA) and state programs
- Offer differential loan underwriting standards
- Make use of loan guarantees, subordinations, and co-signers
- Offer business and financial skills training
- Offer insurance products
- Promote use of Missouri Linked Deposit Program funding with lower customer interest rates
- Continue to promote a 2016 strategic initiative, called AgSunrise, that is a subset of YBS, but with special focus on Young and Beginning Farmers and Ranchers

Based on our goals for the young, beginning and small farmers and ranchers program, the results were as follows:

- Sponsored meetings to educate YBS farmers on crop marketing techniques including futures and options
- Sponsored meetings to educate YBS farmers on crop insurance services
- Sponsored meetings tailored to educate YBS farmers on how to join marketing techniques with crop insurance services
- Offered crop protection insurance and life insurance to YBS farmers and discussed the benefits with them individually, in meetings and via radio advertising
- Met with YBS farmers to show them the support that could be made by using FSA 90/10 guarantees
- Shared Farm Financial Checkup results with borrowers
- Met with FSA to obtain information to provide to young farmers on programs that would benefit them, including guarantee and subordination programs
- Counseled YBS farmers in the office on good financial practices
- Ran ads on radio stations pertaining to YBS programs
- Attended semi-annual meetings on the Three Rivers Junior College Ag Committee to discuss educational needs of Ag students
- Offered a streamlined scorecard approval service for small farmers to significantly reduce paperwork
- Encouraged YBS farmers to use marketing consultants, scouting services and financial guidance counselors
- Encouraged YBS farmers to keep adequate financial records and for their accountant to prepare full disclosure year end financial statements including a Statement of Cash Flows to better analyze and manage their finances
- Member of Kennett Chamber of Commerce Agriculture committee
- Met with FSA officials to identify YBS farmers that may be able to graduate from FSA and qualify for Progressive Farm Credit Services loans
- Made FSA guaranteed loans with YBS farmers
- Made FSA subordinated loans to YBS farmers and continued to work with the FSA loan officer on possible new loans for them
- Invited and recognized Future Farmers of America (FFA) sponsor and officers at annual dinner
- Met goal of developing and launching the AgSunrise program within the association which:
    - Supports and builds relationships with FFA program directors

- Builds relationship with FSA
- Adapted credit presentation model to address the target segment
- Provided interest rate discounts, fee waivers, and financial support for the target segment
- Provided financial support for educational programs for target segment

Participated In Various Sponsorships:

- MO Rice Research Field Day
- MO Delta Center Field Day
- Missouri Farm Bureau Foundation for YBS farmers
- Farmers Recognition Banquet for the Charleston and Kelly High School Districts
- Meal for Southeastern Missouri (SEMO) District Ag Teachers meeting
- Missouri Farm Bureau Foundation golf tournament
- Several high school athletic teams and events
- SEMO district fair 4H and FFA livestock show
- Local FFA Chapters for awards
- FFA Events
- University of MO corn production meeting
- Stoddard County 4H livestock auction
- Missouri Young Farmer/Young Farmer Wives Tour
- Farmers Recognition Banquet at Sikeston

Safety and Soundness of the Program

In order to provide for extension of sound and constructive credit to young, beginning, and small farmers and ranchers, consistent with our mission statement and business objectives, we set standards and guidelines related to character, capacity, capital, and collateral.

The following standards and guidelines applied to our young, beginning and small farmers and ranchers:

YBS Standards and Guidelines		
Character:	Must be satisfactory	(same as regular standard)
Capacity:	115% Capital debt repayment capacity	(same as regular standard)
Capital:	Liquidity: 0% adjusted working capital divided by average gross income	(vs 15% regular standard)
	Solvency: 40% owners' equity	(vs 50% regular standard)
Collateral:	85% Loan to appraised value (PCA)	(vs 75% regular standard)
	75% Loan to appraised value (FLCA)	(vs 65% regular standard)

As indicated by these standards, primary emphasis will be on the character and capacity standards. Exceptions may be granted if there are offsetting strengths. All terms of repayment or advances will be consistent with our existing lending standards and policy. Obtaining co-signers or guarantors will be encouraged where applicable in order to maintain credit standards, but is not necessarily a requirement. Whenever possible, maximum coordination will occur between us and with governmental and other private sources of credit to provide the best credit package for the customer. Applicants are expected to have the capability to manage and perform at or above average enterprise standards of earnings.

To minimize credit and profit risk exposure when less restrictive minimum credit criteria are required than for other customers, supplemental services or incentives not offered to other customers are available, or qualifying farmers receive preferred interest rates, we have set a maximum portfolio concentration not to exceed 200% of our risk funds. This maximum portfolio concentration is the total outstanding principal balances of loans to young, beginning and small farmers and ranchers which have one or more exceptions to the core underwriting standards for regular loans (i.e., 50% owners' equity, 15% working capital divided by average gross income, 115% capital debt repayment capacity, and 75% loan to appraised value for the PCA or 65% loan to appraised value for the FLCA – as traditionally analyzed, or loans scoring less than 200 if scorecard processed).

Management will ensure that loans made under these programs are identified and reported to the Board quarterly and to AgriBank, FCB annually, or more frequently as required. Such reports will provide a summary of actual results compared to the quantitative and qualitative program targets and goals as set forth in our operational and strategic business plan. Reports on these programs will also be provided to regulatory agencies, as required.

FUNDS HELD PROGRAM

Progressive Farm Credit Services, ACA
(Unaudited)

The Association offers a Funds Held Program ("Funds Held") that provides for customers to make advance payments on designated real estate loans and intermediate term loans. The following terms and conditions apply to all Funds Held unless the loan agreement, or related documents, between the Association and customer provide for other limitations.

Payment Application

Loan payments received by the Association before the loan has been billed will normally be placed into Funds Held and applied against the next installment due. Loan payments received after the loan has been billed will be directly applied to the installment due on the loan and related charges, if any. Funds received in excess of the billed amount will be placed into Funds Held unless the customer has specified the funds to be applied as a special or early prepayment of principal.

When a loan installment becomes due, monies in Funds Held for the loan will be automatically applied toward the installment on the due date. Any accrued interest on Funds Held will be applied first. If the balance in Funds Held does not fully satisfy the entire installment, the customer must pay the difference by the installment due date.

Account Maximum

The amount in Funds Held may not exceed 50% of the unpaid principal balance of the loan.

Interest Rate

Interest will accrue on Funds Held at a simple rate of interest determined by the Association, but may never exceed the interest rate charged on the related loan. The Association may change the interest rate from time to time, and may provide for different rates for different categories of loans.

Interest rates are currently reported on each customer's year end loan statement.

Withdrawals

The Association may permit borrowers to withdraw funds from a voluntary Funds Held account, on an exception basis, up to four times per year. The minimum amount that may be withdrawn at any one time is limited to the lesser of $500 or the balance remaining in the Funds Held account.

All requests for withdrawal of funds are subject to Association approval.

Association Options

In the event of default on any loan, or if Funds Held exceeds the maximum limit as established above, or if the Association discontinues its Funds Held Program, the Association may apply funds in the account to the unpaid loan balance and other amounts due, and shall return any excess funds to the customer.

Uninsured Account

Funds Held is not a depository account and is not insured. In the event of Association liquidation, customers having balances in Funds Held shall be notified according to FCA Regulations.

Questions

Please direct any questions regarding Funds Held to your local branch representative.

Progressive
Farm Credit Services
Making Things grow™

PRESORTED
STANDARD
U.S. POSTAGE PAID
PERMIT NO. 168
Cape Girardeau, MO
63701

Progressive Farm Credit Services, ACA

1116 N. Main Street • Sikeston, MO 63801 • (573) 471-0342

Visit us at www.progressivefcs.com

We are identifying solutions to LEND ON, *to help our customer-owners* FARM ON

...We're Here For You!