#WeKnowAg
#WeKnowCountryLiving

2014 BADGERLAND FINANCIAL ANNUAL REPORT

Badgerland®
FINANCIAL
Cultivating rural life.™

WE KNOW AG BECAUSE WE ARE AG

At Badgerland Financial, we know what matters to you, because they are the same things that matter to us. In fact, most of us come from farm families ourselves. That's why our products and services were developed with the unique needs of farmers—like you—in mind.

We are proud to be part of the nationwide Farm Credit System, the nation's largest and oldest financial services network dedicated to serving agriculture and rural America. And we're committed to delivering on our vision to cultivate prosperity for agriculture and rural Wisconsin.

AND WE KNOW COUNTRY LIVING BECAUSE WE LIVE IN THE COUNTRY

In addition to our ag-focused products and services, we offer specialized solutions for people who want a little piece of country to call their own—whether it's for building your dream home or for recreational enjoyment, like hunting and fishing.

We know what it takes to be here because we *are* here. We live here. We work here. And we're dedicated to cultivating rural life—on your terms.

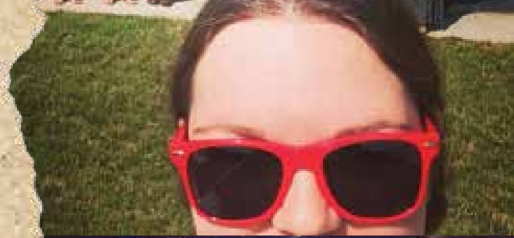
SO LET'S KEEP WORKING—TOGETHER.

‘Show Your Shades’ Contest Promotes the Bright Future of Ag

During the summer of 2014, people from around Wisconsin joined Badgerland Financial in supporting agriculture’s bright future through our “Show Your Shades” promotion on social media. From June through August, people posted photos of themselves and others wearing the red Badgerland Financial sunglasses on our social media pages with the hashtag #IAmAg.

Each month, one photo was selected at random to win a prize. At the end of the summer, one lucky photo was randomly selected for the grand prize–four hospitality tickets and four game tickets to the UW Badgers “Celebrate Agriculture” football game on September 6th at Camp Randall Stadium in Madison.

In total, we received more than 550 entries throughout the summer! Plus, the #IAmAg red sunglasses became a highly visible way to promote agriculture and Badgerland Financial. Thanks to all who participated and showed their pride for agriculture!



Congratulations

to Sarrey Steuck, our grand prize winner! (winning photo at left).

Also, congratulations to each of the monthly winners below. Clockwise from top: Mikayla Meinhardt (August); Noelle Austin (June); and Kallie Jo Kastenson (July).

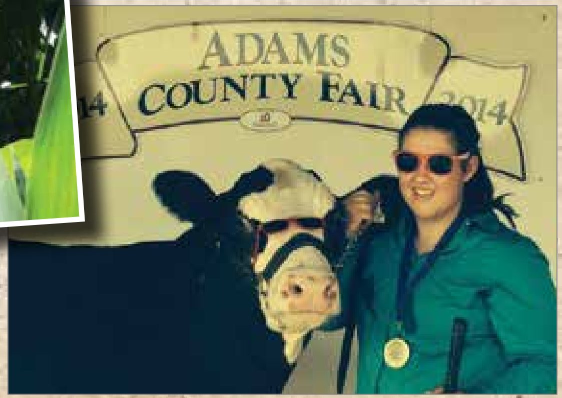


TABLE OF CONTENTS

Badgerland Financial, ACA

AgriBank, FCB’s (AgriBank) financial condition and results of operations materially impact members' investment in Badgerland Financial, ACA. To request free copies of the AgriBank and combined AgriBank and Affiliated Associations’ financial reports contact us at 1430 North Ridge Drive, Prairie du Sac, WI 53578, (877) 780-6410, or e-mail Greg.Rufsvold@badgerlandfinancial.com. You may also contact AgriBank at 30 East 7th Street, Suite 1600, St. Paul, MN 55101, (651) 282-8800, or by e-mail at financialreporting@agribank.com. The AgriBank and combined AgriBank and Affiliated Associations’ financial reports are also available through AgriBank’s website at www.agribank.com.

To request free copies of our Annual or Quarterly Reports contact us as stated above. 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.

MESSAGE FROM THE CHAIRPERSON OF THE BOARD AND CHIEF EXECUTIVE OFFICER

To our Members, Customers, Friends and Business Affiliates:

In a competitive marketplace, we realize that when it comes to lenders you have options. To Badgerland Financial, it's about more than financing. It's about providing solutions to meet your goals, not ours. That's because no other financial institution better understands YOU.

As outlined in this financial report, our financial strength provides the capacity to meet your unique needs today and in the future. Our earnings were solid in 2014, our portfolio remains strong and our capital position is well established – results that reflect a year in which net farm income in Wisconsin surpassed $4 billion for the first time.

The Board of Directors has declared a total of $13 million in cash patronage dividends for business in 2014, surpassing pay out levels of years past. As a cooperative, we couldn't be more proud to share our financial success with our member owners. In fact, we have paid total cash patronage dividends of nearly $98 million since 2004.

As we look to 2015, Class III milk prices and projections have dipped from recent years. This is compounded with moderated grain prices and the possibility of rising interest rates, reinforcing the consultative approach our team members take as more critical than ever. No matter what may come, together we will navigate both the good and challenging times. After all, no other financial institution is more committed to serving Wisconsin agriculture and the rural communities we call home.

Sincerely,

Mark W. Cade

Mark Cade
Chairperson of the Board
Badgerland Financial, ACA

Diane M Cole

Diane M. Cole
Chief Executive Officer
Badgerland Financial, ACA

March 11, 2015

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Badgerland Financial, ACA

(Dollars in thousands)

	2014	2013	2012	2011	2010
Statement of Condition Data					
Loans	**$ 3,414,943**	$ 3,232,452	$ 2,855,906	$ 2,600,884	$ 2,585,578
Allowance for loan losses	**9,378**	2,740	4,540	6,621	13,081
Net loans	**3,405,565**	3,229,712	2,851,366	2,594,263	2,572,497
Investment in AgriBank, FCB	**96,807**	101,016	94,045	83,317	79,930
Other property owned	**782**	1,293	3,664	5,270	255
Other investments	**6,725**	4,250	3,235	1,885	1,235
Other assets	**64,597**	58,920	52,847	49,111	42,278
Total assets	**$ 3,574,476**	$ 3,395,191	$ 3,005,157	$ 2,733,846	$ 2,696,195
Obligations with maturities of one year or less	**$ 2,827,516**	$ 2,709,642	$ 2,389,009	$ 2,185,414	$ 2,218,838
Total liabilities	**2,827,516**	2,709,642	2,389,009	2,185,414	2,218,838
Capital stock and participation certificates	**8,345**	8,151	7,852	7,548	7,362
Unallocated surplus	**738,615**	677,398	608,296	540,884	469,995
Total members' equity	**746,960**	685,549	616,148	548,432	477,357
Total liabilities and members' equity	**$ 3,574,476**	$ 3,395,191	$ 3,005,157	$ 2,733,846	$ 2,696,195
Statement of Income Data					
Net interest income	**$ 93,964**	$ 90,350	$ 85,711	$ 84,165	$ 74,547
Provision for (reversal of) loan losses	**7,962**	(772)	(2,120)	(5,401)	(997)
Patronage income	**22,393**	22,268	20,370	17,061	18,584
Other expenses, net	**35,272**	35,004	26,553	24,123	17,118
(Benefit from) provision for income taxes	**(1,094)**	(267)	53	2,621	2,249
Net income	**$ 74,217**	$ 78,653	$ 81,595	$ 79,883	$ 74,761
Key Financial Ratios					
Return on average assets	**2.2%**	2.5%	2.9%	2.9%	3.1%
Return on average members' equity	**10.3%**	12.1%	14.0%	15.6%	17.0%
Net interest income as a percentage of average earning assets	**2.9%**	3.0%	3.2%	3.2%	3.2%
Members' equity as a percentage of total assets	**20.9%**	20.2%	20.5%	20.1%	17.7%
Net charge-offs as a percentage of average loans	**--**	--	--	--	0.1%
Allowance for loan losses as a percentage of loans	**0.3%**	0.1%	0.2%	0.3%	0.5%
Permanent capital ratio	**16.6%**	15.5%	15.9%	15.0%	13.9%
Total surplus ratio	**16.4%**	15.3%	15.6%	14.8%	13.7%
Core surplus ratio	**16.4%**	15.3%	15.6%	14.8%	13.7%
Other					
Patronage distributions paid	**$ 9,550**	$ 9,001	$ 14,183	$ 9,994	$ 5,758

The patronage distribution to members accrued for the year ended December 31, 2014 is distributed in cash during the first quarter of 2015. The patronage distributions accrued for the years ended December 31, 2013, 2012, 2011, and 2010 were distributed in cash during the first quarter of each subsequent year. In addition to the previously accrued patronage payable to members, a special, one-time mid-year patronage distribution of $5.2 million was paid in cash in October 2012. Refer to Note 7 for additional information. No income was distributed to members in the form of dividends, stock, or allocated surplus during these periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Badgerland Financial, ACA

The following commentary reviews the consolidated financial condition and consolidated results of operations of Badgerland Financial, ACA (the Association) and its subsidiaries, Badgerland Financial, FLCA and Badgerland Financial, PCA (the 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, 2015, the System consisted of three Farm Credit Banks (FCB), one Agricultural Credit Bank (ACB), and 76 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). Badgerland Financial, ACA is one of the affiliated associations 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.

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, and
- changes in our assumptions for determining the allowance for loan losses, and fair value measurements.

AGRICULTURAL AND ECONOMIC CONDITIONS

Planting delays due to cold and wet weather resulted in crops being a couple weeks behind normal maturity. Overall, the fall harvest went well. There were very strong yields in some areas; however, other areas experienced only average yields due to late planting and in some cases excessive moisture. There is still some standing corn as corn was slow to dry and remained in the fields in hopes there would be some natural dry down to avoid drying costs. Feed supplies going into 2015 should be good for most livestock producers. Lower grain prices will be a plus for livestock growers, but will put a strain on cash flows that rely heavily on grain sales. More grain went into storage this year due to low prices as producers hope there will be a spring rally in grain prices that will more than offset storage and carrying costs.

Current cash prices for corn were approximately $3.60/bu according to Landmark Services Cooperative. Cash prices have increased slightly from harvest when they were closer to $3.20/bu. Depending on local supply and demand, these prices will vary. Current cash prices for soybeans were approximately $9.37/bu according to Landmark Services Cooperative. This price is also up slightly from the previous quarter which was closer to $9.00/bu. Per the Chicago Mercantile Exchange (CME), corn futures prices through December 2015 are averaging $3.92/bu. Soybean future prices through November 2015 are averaging $9.84/bu. The significant decline in grain prices will see very tight margins for most grain producers. In many cases, grain prices may drop below the cost of production in 2015.

The average Class III milk price for the fourth quarter of 2014 was $21.20/cwt which compares to $18.70/cwt for the same quarter last year. Calendar year 2014 milk prices averaged $22.34/cwt which compares to a 2013 average price of $17.99/cwt. The record high milk prices in 2014 boosted dairy producers' cash flows; however, a significant correction beginning with December prices is underway. The December price dropped to $17.82/cwt, and futures prices are continuing to reflect substantial declines. Per the CME, 2015 futures prices (Mar-Dec) are currently at $16.50/cwt (all milk prices are before premiums). The correction in dairy prices is likely to significantly impact cash flows in 2015. It is likely some producers contracted some production at prices above current levels. In addition to the availability of Livestock Gross Margin (LGM) insurance, producers have the ability to participate in the federal government's new Dairy Margin Protection (DMP) program. At this time, it is too early to determine how this program will impact dairy producers. Regardless of the income protection provided by milk contracts, LGM insurance, or the DMP program, dairy producers are expected to see significantly lower profits in 2015 and in some cases may be challenged to market milk above their cost of production.

Real estate sales activity has been slower throughout 2014. There is less land coming on the market. Although grain producers were beginning to pull out of the market to some degree in 2014, dairy producers in the area filled some of this void and values remained fairly strong. The outlook for milk prices has turned negative in recent months. The combination of lower milk and grain prices is likely to result in some softening of land values in 2015. Overall economic conditions in rural communities continue to show modest improvement which provides for some non-farm employment opportunities.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $3.4 billion at December 31, 2014, an increase of $182.5 million from December 31, 2013. The components of loans are presented in the following table (in thousands):

As of December 31	**2014**	2013	2012
Accrual loans:			
Real estate mortgage	**$ 2,046,846**	$ 1,909,365	$ 1,594,863
Production and intermediate term	**862,068**	871,616	835,624
Agribusiness	**307,623**	260,812	251,464
Other	**186,874**	181,601	160,889
Nonaccrual loans	**11,532**	9,058	13,066
Total loans	**$ 3,414,943**	$ 3,232,452	$ 2,855,906

The other category is comprised of communication, rural residence related, and energy loans as well as loans originated under our mission related investment authority.

Accrual mortgage loan volume increased $172.4 million since 2013 year end, primarily due to an increase in the disbursements on capital market loans as well as new portfolio real estate loans. We also had a successful marketing campaign that ran several months throughout the second and third quarters of 2014. Many of these new loans were closed and disbursed during the third and fourth quarters of 2014.

Accrual commercial loan volume increased $7.6 million since 2013 year end. The limited growth in commercial loan volume in 2014 was primarily due to strong profits in the dairy industry. Strong cash flows for many dairy producers resulted in less need for credit as well as providing them the ability to pay down some of their term loans. Although grain prices were down in 2014, many grain operations had prepaid 2014 operating expenses in 2013 to offset strong prices in 2013, which resulted in less operating credit needs in 2014.

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

On July 1, 2014, we sold to AgriBank a 90.0% participation interest in real estate loans under the AgriBank Asset Pool program totaling $60.8 million. These loan participations were added to the participation pool originally established by AgriBank in 2008. As a result of this transaction, we were required to purchase additional AgriBank stock in order to maintain the required investment equal to 8.0% of the loans we have sold under this program. Our total participation interests in this program were $444.2 million, $442.2 million, and $462.6 million at December 31, 2014, 2013, and 2012, respectively.

Portfolio Distribution

We are chartered to serve certain counties in Wisconsin. Approximately 13.3% of our total loan portfolio was in Dane and Fond du Lac counties at December 31, 2014.

Agricultural concentrations exceeding 5.0% of our portfolio at December 31, 2014 included: crops 33.2%, dairy 30.0%, livestock 8.5%, and rural home 7.2%. Additional commodity concentration information is included in Note 3.

Portfolio Credit Quality

The credit quality of our portfolio declined slightly from December 31, 2013. Adversely classified loans increased to 2.2% of the portfolio at December 31, 2014, from 2.1% of the portfolio at December 31, 2013. 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. As of December 31, 2014, $101.3 million of our loans were, to some level, guaranteed under these government programs.

Risk Assets

The following table summarizes risk information (accruing loans include accrued interest receivable) (dollars in thousands):

As of December 31		**2014**		2013		2012
Loans:						
Nonaccrual	**$**	**11,532**	$	9,058	$	13,066
Accruing restructured		**56**		4		233
Accruing loans 90 days or more past due		**249**		1,029		7,299
Total risk loans		**11,837**		10,091		20,598
Other property owned		**782**		1,293		3,664
Total risk assets	**$**	**12,619**	$	11,384	$	24,262
Risk loans as a percentage of total loans		**0.3%**		0.3%		0.7%
Nonaccrual loans as a percentage of total loans		**0.3%**		0.3%		0.5%
Total delinquencies as a percentage of total loans		**0.5%**		0.4%		0.8%

Our risk assets have increased from December 31, 2013, but remain at acceptable levels. Despite the increase in risk assets, total risk loans as a percentage of total loans remains well within our established risk management guidelines.

The increase in nonaccrual loans was primarily due to 2014 nonaccrual transfers related to a large veal operation and a loan originated under our mission related investment authority. Nonaccrual loans remained at an acceptable level at December 31, 2014, and 55.2% of our nonaccrual loans were current.

The decrease in accruing loans 90 days or more past due was primarily due to principal payments during 2014 sufficient to bring the loans to current status. Based on our analysis, 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.

The decrease in other property owned was primarily due to disposals during 2014.

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.

The following table presents allowance coverage, charge-off, and adverse asset information:

As of December 31	**2014**	2013	2012
Allowance as a percentage of:			
Loans	**0.3%**	0.1%	0.2%
Nonaccrual loans	**81.3%**	30.2%	34.7%
Total risk loans	**79.2%**	27.2%	22.0%
Net charge-offs as a percentage of average loans	**--**	--	--
Adverse assets to risk funds	**11.8%**	12.2%	14.0%

The allowance for loan losses increased $6.6 million from December 31, 2013 to December 31, 2014. The change in allowance for loan losses is a result of increased allowance needs related to the loan portfolio, including our ownership in ProPartners Financial. Additionally, a $5.3 million general allowance reserve was established at the end of 2014 based on a loan portfolio analysis conducted to determine the impact of declining commodity prices. We will continue to monitor commodity prices, as well as various input costs, to determine if future allowance adjustments are warranted. The allowance as a percentage of nonaccrual loans and as a percentage of total risk loans has increased primarily due to the increase in the allowance for loan losses during 2014. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at December 31, 2014.

Additional loan information is included in Notes 3, 10, 11, 12 and 13.

OTHER INVESTMENTS

In addition to loans, we hold non-controlling investments in venture capital equity funds of $6.7 million, $4.3 million, and $3.2 million at December 31, 2014, 2013, and 2012, respectively. These investments represent our stake in two venture capital equity funds focused on the needs of rural start-up companies. Our remaining commitment to the funds at December 31, 2014 was $2.8 million over the next 9 years and $91 thousand over the next 4 years.

The investments were evaluated for impairment. During the year ended December 31, 2013, $385 thousand of impairment was recognized on these investments. No impairments were recognized on these investments during 2014 or 2012. We have not received any distributions from the funds during the years ended December 31, 2014, 2013 or 2012.

Additional other investment information is included in Notes 5 and 13.

RESULTS OF OPERATIONS

The following table presents profitability information (dollars in thousands):

For the year ended December 31		2014		2013		2012
Net income	$	**74,217**	$	78,653	$	81,595
Return on average assets		**2.2%**		2.5%		2.9%
Return on average members' equity		**10.3%**		12.1%		14.0%

Changes in these ratios relate directly to:

- changes in income as discussed below,
- changes in assets as discussed in the Loan Portfolio and Other Investments sections, and
- changes in members' equity as discussed in the Capital Adequacy section.

The following table summarizes the changes in components of net income (in thousands):

	For the year ended December 31						Increase (decrease) in net income			
		2014		2013		2012		2014 vs 2013		2013 vs 2012
Net interest income	$	**93,964**	$	90,350	$	85,711	$	**3,614**	$	4,639
Provision for (reversal of) loan losses		**7,962**		(772)		(2,120)		**(8,734)**		(1,348)
Patronage income		**22,393**		22,268		20,370		**125**		1,898
Other income, net		**17,241**		15,083		18,101		**2,158**		(3,018)
Operating expenses		**52,513**		50,087		44,654		**(2,426)**		(5,433)
(Benefit from) provision for income taxes		**(1,094)**		(267)		53		**827**		320
Net income	$	**74,217**	$	78,653	$	81,595	$	**(4,436)**	$	(2,942)

Net Interest Income

The following table quantifies changes in net interest income (in thousands):

		2014 vs 2013		2013 vs 2012
Changes in volume	$	**8,180**	$	9,617
Changes in interest rates		**(4,357)**		(4,500)
Changes in nonaccrual income and other		**(209)**		(478)
Net change	$	**3,614**	$	4,639

Net interest income included income on nonaccrual loans that totaled $0.6 million, $0.8 million, and $1.2 million in 2014, 2013, and 2012, 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 2.9%, 3.0%, and 3.2% in 2014, 2013, and 2012, respectively. We expect margins to compress in the future if interest rates rise and competition increases.

Provision for (Reversal of) Loan Losses

The fluctuation in the provision for (reversal of) loan losses is related to our estimate of losses in our portfolio for the applicable years. During the year ended December 31, 2014, $8.0 million of provision expense was recorded, including the establishment of a $5.3 million general allowance reserve at the end of 2014 based on a loan portfolio analysis conducted to determine the impact of declining commodity prices. Refer to Note 3 for additional discussion.

Patronage Income

We received patronage income based on the average balance of our note payable to AgriBank. AgriBank's Board of Directors sets the patronage rate. The patronage rates were 33.5 basis points, 34.5 basis points, and 32 basis points in 2014, 2013, and 2012, respectively. We recorded patronage income of $9.0 million, $8.5 million, and $7.1 million in 2014, 2013, and 2012, respectively.

Since 2008, we have participated in the AgriBank Asset Pool program in which we sell participation interests in certain real estate loans to AgriBank. As part of this program, we received patronage income in an amount that approximated the net earnings of the loans. Net earnings represents the net interest income associated with these loans adjusted for certain fees and costs specific to the related loans as well as adjustments deemed appropriate by AgriBank related to the credit performance of the loans, as applicable. In addition, we received patronage income in an amount that approximated the wholesale patronage had we retained the volume. Patronage declared on these pools is solely at the discretion of the AgriBank Board of Directors. We recorded asset pool patronage income of $11.8 million, $12.6 million, and $12.7 million in 2014, 2013, and 2012, respectively. As part of this income in 2012, we received a $452 thousand share of the distribution from the Allocated Insurance Reserve Accounts (AIRA) related to the AgriBank Asset Pool program. These reserve accounts were established in previous years by the FCSIC when premiums collected increased the level of the Farm Credit Insurance Fund above the required 2.0% of insured debt. No such distributions were received in 2014 or 2013.

We received another component of patronage, referred to as equalization income, from AgriBank. The quarterly average balance of any excess stock investment in AgriBank is used to determine this amount. Additionally, we earn equalization on any stock investment in AgriBank required to be held when our growth exceeds a targeted growth rate. The equalization rate is set by AgriBank's Board of Directors and is targeted at the average cost of funds for all affiliated associations as a group. Equalization income totaled $2 thousand for 2014. No equalization income was received in 2013 or 2012.

We also received a partnership distribution resulting from our participation in the AgDirect trade credit financing program. The program is facilitated by another AgriBank District association through a limited liability partnership (AgDirect, LLP), in which we are a partial owner. AgriBank purchases a 100% participation interest in the program loans from AgDirect, LLP. Patronage distributions are declared solely at the discretion of the AgriBank Board of Directors and are paid to AgDirect, LLP, which in turn pays partnership distributions to the participating associations. We receive a partnership distribution in an amount that approximates our share of the net earnings of the loans in the program, adjusted for required return on capital and servicing and origination fees. We received a partnership distribution of $1.4 million, $0.9 million, and $0.4 million in 2014, 2013, and 2012, respectively.

Other Income

The change in other income is primarily related to a gain on the sale of one of our branch offices and an increase in financially related services partially offset by a decrease in fee income. This change is also impacted by a loss related to other property owned in 2013.

Operating Expenses

The following presents a comparison of operating expenses by major category and the operating rate (operating expenses as a percentage of average earning assets) for the past three years (dollars in thousands):

For the year ended December 31	**2014**	2013	2012
Salaries and employee benefits	**$ 33,599**	$ 32,592	$ 29,444
Purchased and vendor services	**2,656**	2,360	2,488
Communications	**1,228**	1,183	1,077
Occupancy and equipment	**4,212**	3,857	3,499
Advertising and promotion	**2,371**	2,614	2,343
Examination	**899**	860	879
Farm Credit System insurance	**3,287**	2,488	1,121
Other	**4,261**	4,133	3,803
Total operating expenses	**$ 52,513**	$ 50,087	$ 44,654
Operating rate	**1.6%**	1.7%	1.7%

The operating expense increases were primarily related to increases in salaries and benefits resulting primarily from staffing additions as well as normal annual merit increases, purchased services, and occupancy and equipment costs.

FCSIC insurance expense also increased in 2014 primarily due to an increase in the premium rate charged on accrual loans by FCSIC from 10 basis points in 2013 to 12 basis points in 2014.

(Benefit from) Provision for Income Taxes

The variance in (benefit from) provision for income taxes is related to our estimate of taxes based on taxable income. Patronage distributions to members reduced our tax liability in 2014, 2013, and 2012. Refer to Note 8 for additional discussion.

FUNDING AND LIQUIDITY

Funding

We borrow from AgriBank under a note payable, in the form of a line of credit, as described in Note 6. The following table summarizes note payable information (dollars in thousands):

For the year ended December 31	**2014**	2013	2012
Average balance	**$ 2,681,579**	$ 2,472,797	$ 2,213,955
Average interest rate	**1.4%**	1.2%	1.3%

Our other source of lendable funds is from unallocated surplus. 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.

Liquidity

Our approach to sustaining sufficient liquidity to fund operations and meet current obligations is to maintain an adequate line of credit with AgriBank. At December 31, 2014, we had $658.7 million available under our line of credit. We generally apply excess cash to this line of credit.

Beginning in 2012, 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. As of December 31, 2014, no loans are guaranteed by or have been sold to Farmer Mac under this agreement.

CAPITAL ADEQUACY

Total members' equity increased $61.4 million from December 31, 2013 primarily due to net income for the year and an increase in capital stock and participation certificates partially offset by patronage distribution accruals.

Members' equity position information is as follows (dollars in thousands):

As of December 31	**2014**	2013	2012
Members' equity	**$ 746,960**	$ 685,549	$ 616,148
Surplus as a percentage of members' equity	**98.9%**	98.8%	98.7%
Permanent capital ratio	**16.6%**	15.5%	15.9%
Total surplus ratio	**16.4%**	15.3%	15.6%
Core surplus ratio	**16.4%**	15.3%	15.6%

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.

At December 31, 2014, our permanent capital, total surplus, and core surplus ratios exceeded the regulatory minimum requirements.

Additional discussion of these regulatory ratios is included in Note 7.

In addition to these regulatory requirements, we establish an optimum permanent capital target. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target is subject to revision as circumstances change. As of December 31, 2014, our optimum permanent capital range was 13%-18%.

The changes in our capital ratios reflect changes in capital and assets. Refer to the Loan Portfolio and Other Investments sections for further discussion of the changes in assets. Additional members' equity information is included in Note 7.

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, governs this lending relationship.

Cost of funds under the GFA includes a marginal cost of debt component, a spread component, which includes cost of servicing, cost of liquidity, bank profit, and, if applicable, a risk premium component. However, in the periods presented, we were not subject to the risk premium component.

The marginal cost of debt approach simulates matching the cost of underlying debt with substantially the same terms as the anticipated terms of our loans to borrowers. This approach substantially protects us from market interest rate risk.

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 previously distributed AgriBank surplus. On March 5, 2014, the AgriBank Board of Directors approved an amendment to the AgriBank capital plan which reduced the base required stock investment for all affiliated associations, including Badgerland Financial, ACA from 2.5% to 2.25% effective March 31, 2014. As of December 31, 2014, we were required to maintain a stock 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%. However, AgriBank currently has not communicated a plan to increase the required investment.

In addition, we are required to hold AgriBank stock equal to 8.0% of the quarter end balance in the AgriBank Asset Pool program.

At December 31, 2014, $63.8 million of our investment in AgriBank consisted of stock representing distributed AgriBank surplus and $33.0 million 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.

As an AgDirect, LLP partnering association, we are required to purchase stock in AgDirect which purchases an equivalent amount of stock in AgriBank. Specifically, the AgDirect trade credit financing program is required to own stock in AgriBank in the amount of 6.0% of the AgDirect program's outstanding participation loan balance at quarter end plus 6.0% of the expected balance to be originated during the following quarter.

Patronage

We receive different types of discretionary patronage from AgriBank. AgriBank's Board of Directors sets the level of patronage for each of the following:

- patronage on our note payable with AgriBank,
- patronage based on the balance and net earnings of loans in the AgriBank Asset Pool program,
- equalization income based on our excess stock or growth required stock investment in AgriBank, and
- partnership distribution based on our share of the net earnings of the loans in the AgDirect trade credit financing program, adjusted for required return on capital and servicing and origination fees.

Patronage income for 2012 and 2013 on our note payable with AgriBank was paid in the form of cash and AgriBank stock. Beginning in 2014, patronage income earned on our note payable with AgriBank is paid in cash.

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 $1.0 million in each of the years 2014, 2013, and 2012.

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. To request free copies of the AgriBank and the combined AgriBank and Affiliated Associations' financial reports contact us at 1430 North Ridge Drive, Prairie du Sac, WI 53578, (877) 780-6410, or e-mail Greg.Rufsvold@badgerlandfinancial.com. You may also contact AgriBank at 30 East 7th Street, Suite 1600, St. Paul, MN 55101, (651) 282-8800, or by e-mail at financialreporting@agribank.com. The AgriBank and combined AgriBank and Affiliated Associations' financial reports are also available through AgriBank's website at www.agribank.com.

To request free copies of our Annual or Quarterly Reports contact us as stated above. 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.

OTHER RELATIONSHIPS AND PROGRAMS

Relationships with Other Farm Credit Institutions

ProPartners Financial: We have an alliance with nine other Farm Credit association partners to provide producer financing for agribusiness companies under the trade name, ProPartners Financial (ProPartners). ProPartners is directed by representatives from participating associations and has employees in California, Illinois, Indiana, Kansas, Minnesota, North Dakota, Tennessee, and Washington. The income, expense, and loss sharing arrangements are based on each association's participation interest in ProPartners' volume. Each association's allocation was established according to a prescribed formula which included risk funds of the associations. We had $91.1 million, $79.9 million, and $68.4 million of ProPartners volume at December 31, 2014, 2013, and 2012, respectively. We also had $125.0 million of available commitment on ProPartners loans at December 31, 2014.

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.

BGM Technology Collaboration: We participate in the BGM Technology Collaboration (BGM) with certain other AgriBank District associations to facilitate the development and maintenance of certain retail technology systems essential to providing credit and other services to our members. BGM operations are governed by representatives of each participating association. The expenses of BGM are allocated to each of the participating associations based on an agreed upon formula. The systems developed are owned by each of the participating associations.

CoBank, ACB: We have a relationship with CoBank, ACB (CoBank), a System bank, which involves purchasing and selling participation interests in loans. As part of this relationship, our equity investment in CoBank was $78 thousand and $70 thousand at December 31, 2014 and 2013, respectively. We did not hold an investment in CoBank in 2012. CoBank provides direct loan funds to associations in its chartered territory and makes loans to cooperatives and other eligible borrowers.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations) which involves purchasing human resource information systems, benefit, payroll, and workforce management services. Our investment in Foundations was $35 thousand as of December 31, 2014, 2013, and 2012. The total cost of services we purchased from Foundations was $165 thousand, $150 thousand, and $140 thousand in 2014, 2013, and 2012, respectively.

Unincorporated Business Entities (UBEs)

4 Rivers, LLP: We participate with certain other AgriBank District associations in 4 Rivers, LLP (the LLP), which functions as a negotiating and administrative arm for crop insurance. The LLP negotiates commission and profit share terms with the Approved Insurance Providers (AIP). The value proposition is that the LLP covers a larger geographical area, has more premium volume, and offers the AIP potential for a more stable and profitable return. Each participating association continues to conduct crop insurance business independently within its chartered territory, whereas the LLP is utilized for negotiating contract terms and facilitating the pooling of crop insurance business in a manner which optimizes the value received by the participating associations. As a part of this relationship, our investment in 4 Rivers, LLP was $13 thousand at December 31, 2014, 2013 and 2012.

AgDirect, LLP: We participate in the AgDirect trade credit financing program, which includes origination and refinancing of agriculture equipment loans through independent equipment dealers. The program is facilitated by another AgriBank District association through a limited liability partnership in which we are a partial owner. Our investment in AgDirect, LLP, was $10.1 million, $9.9 million, and $8.0 million at December 31, 2014, 2013, and 2012, respectively.

RBF Acquisition VIII, LLC and Choice Ethanol Holdings, LLC: We received an equity interest in RBF Acquisition VIII, LLC which was formed to facilitate the acquisition, management, and liquidation of assets acquired in 2009 from a troubled ethanol borrower. As of December 31, 2014, all assets of and subsequently our equity interest in RBF Acquisition VIII, LLC were liquidated. The liquidation had a negligible impact on our consolidated financial statements. Choice Ethanol Holdings, LLC (Choice) was created to own the assets of an ethanol plant acquired from a troubled borrower in 2013. All membership interests in Choice were sold via a stock sale in June 2013. After the sale, Choice was subsequently dissolved.

Programs

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

Equipment Financing: We have entered into agreements with certain dealer networks to provide alternative service delivery channels to borrowers. These trade credit opportunities create more flexible and accessible financing options to borrowers through dealer point-of-purchase financing programs.

We participate in the AgDirect trade credit financing program. Refer to the UBE section for further discussion on this program.

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.

Agriculture and Rural Community Bond Program: We participate in the Agriculture and Rural Community (ARC) Bond Program authorized during 2006 by the FCA in order to meet the changing needs of agriculture and rural America by making investments that support farmers, ranchers, agribusinesses, and their rural communities and businesses. The ARC Bond Program is part of our mission related investments. These investments will help to increase rural communities' and businesses' well-being and prosperity by providing an adequate flow of capital into rural areas. We had $34.9 million, $42.0 million, and $44.0 million of volume under this program at December 31, 2014, 2013, and 2012, respectively.

REGULATORY MATTERS

On May 8, 2014, the FCA Board approved a proposed rule to modify the regulatory capital requirements for System Banks and Associations. The stated objectives of the proposed rule are as follows:

- To modernize capital requirements while ensuring that institutions continue to hold sufficient regulatory capital to fulfill their mission as a government-sponsored enterprise,
- To 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,
- To make System regulatory capital requirements more transparent, and
- To meet the requirements of section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The public comment period ended on February 16, 2015.

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 as follows:

- To strengthen the safety and soundness of System Banks and Associations,
- To ensure that System Banks hold sufficient liquidity to continue operations and pay maturing obligations in the event of market disruption,
- To enhance the ability of the System Banks to supply credit to agricultural and aquatic producers,
- To comply with the requirements of section 939A of the Dodd-Frank Act,
- To modernize the investment eligibility criteria for System Banks, and
- To 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.

Effective June 18, 2014, the FCA Board adopted a final rule to remove all requirements related to advisory votes at Farm Credit Institutions. This rule eliminates the requirement for advisory votes on CEO and/or senior officer compensation.

REPORT OF MANAGEMENT

Badgerland Financial, ACA

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

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable, but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the consolidated financial statements. 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 and it has been prepared in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Mark W. Cade

Mark Cade
Chairperson of the Board
Badgerland Financial, ACA

Diane M Cole

Diane M. Cole
Chief Executive Officer
Badgerland Financial, ACA

Gregory Rufsvold

Gregory S. Rufsvold
Chief Financial Officer
Badgerland Financial, ACA

March 11, 2015

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Badgerland Financial, ACA

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

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2014. In making the assessment, management used the 2013 framework in Internal Control — Integrated Framework, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of December 31, 2014, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2014.

Diane M. Cole

Diane M. Cole
Chief Executive Officer
Badgerland Financial, ACA

Gregory Rufsvold

Gregory S. Rufsvold
Chief Financial Officer
Badgerland Financial, ACA

March 11, 2015

REPORT OF AUDIT COMMITTEE

Badgerland Financial, ACA

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

Management is responsible for 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, 2014, 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, 2014.

Gregory Pollesch
Chairperson of the Audit Committee
Badgerland Financial, ACA

Members of the audit committee include:
Gary Boyke
Mark Cade
Dean Dorn
Gregory Pollesch
Max Weiss
Michael Winker

March 11, 2015

Independent Auditor's Report

To the Board of Directors of Badgerland Financial, ACA,

We have audited the accompanying consolidated financial statements of Badgerland Financial, ACA (the Association) and its subsidiaries, which comprise the consolidated statements of condition as of December 31, 2014, 2013 and 2012, 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.

Auditor's 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 Badgerland Financial, ACA and its subsidiaries at December 31, 2014, 2013 and 2012, 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 11, 2015

PricewaterhouseCoopers LLP, 225 South Sixth Street, Suite 1400, Minneapolis, MN 55402
T: (612) 596 6000, www.pwc.com/us

CONSOLIDATED STATEMENTS OF CONDITION

Badgerland Financial, ACA

(in thousands)

As of December 31	**2014**	2013	2012
ASSETS			
Loans	**$ 3,414,943**	$ 3,232,452	$ 2,855,906
Allowance for loan losses	**9,378**	2,740	4,540
Net loans	**3,405,565**	3,229,712	2,851,366
Investment in AgriBank, FCB	**96,807**	101,016	94,045
Accrued interest receivable	**18,636**	16,946	13,925
Other property owned	**782**	1,293	3,664
Other investments	**6,725**	4,250	3,235
Other assets	**45,961**	41,974	38,922
Total assets	**$ 3,574,476**	$ 3,395,191	$ 3,005,157
LIABILITIES			
Note payable to AgriBank, FCB	**$ 2,787,000**	$ 2,672,686	$ 2,357,428
Accrued interest payable	**9,480**	8,436	7,127
Deferred tax liabilities, net	**1,053**	2,154	2,421
Patronage distribution payable	**13,000**	9,550	9,000
Other liabilities	**16,983**	16,816	13,033
Total liabilities	**2,827,516**	2,709,642	2,389,009
Contingencies and commitments	**--**	--	--
MEMBERS' EQUITY			
Capital stock and participation certificates	**8,345**	8,151	7,852
Unallocated surplus	**738,615**	677,398	608,296
Total members' equity	**746,960**	685,549	616,148
Total liabilities and members' equity	**$ 3,574,476**	$ 3,395,191	$ 3,005,157

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Badgerland Financial, ACA

(in thousands)

For the year ended December 31		**2014**		2013		2012
Interest income	**$**	**130,323**	$	121,220	$	115,464
Interest expense		**36,359**		30,870		29,753
Net interest income		**93,964**		90,350		85,711
Provision for (reversal of) loan losses		**7,962**		(772)		(2,120)
Net interest income after provision for (reversal of) loan losses		**86,002**		91,122		87,831
Other income						
Patronage income		**22,393**		22,268		20,370
Financially related services income		**11,803**		11,341		10,727
Fee income		**4,149**		4,988		5,285
Allocated Insurance Reserve Accounts distribution		**--**		--		2,746
Miscellaneous income (loss), net		**1,289**		(1,246)		(657)
Total other income		**39,634**		37,351		38,471
Operating expenses						
Salaries and employee benefits		**33,599**		32,592		29,444
Other operating expenses		**18,914**		17,495		15,210
Total operating expenses		**52,513**		50,087		44,654
Income before income taxes		**73,123**		78,386		81,648
(Benefit from) provision for income taxes		**(1,094)**		(267)		53
Net income	**$**	**74,217**	$	78,653	$	81,595

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Badgerland Financial, ACA

(in thousands)

	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance as of December 31, 2011	$ 7,548	$ 540,884	$ 548,432
Net income	--	81,595	81,595
Current year special patronage distribution	--	(5,194)	(5,194)
Unallocated surplus designated for patronage distributions	--	(8,989)	(8,989)
Capital stock and participation certificates issued	962	--	962
Capital stock and participation certificates retired	(658)	--	(658)
Balance as of December 31, 2012	7,852	608,296	616,148
Net income	--	78,653	78,653
Unallocated surplus designated for patronage distributions	--	(9,551)	(9,551)
Capital stock and participation certificates issued	967	--	967
Capital stock and participation certificates retired	(668)	--	(668)
Balance as of December 31, 2013	8,151	677,398	685,549
Net income	**--**	**74,217**	**74,217**
Unallocated surplus designated for patronage distributions	**--**	**(13,000)**	**(13,000)**
Capital stock and participation certificates issued	**763**	**--**	**763**
Capital stock and participation certificates retired	**(569)**	**--**	**(569)**
Balance as of December 31, 2014	**$ 8,345**	**$ 738,615**	**$ 746,960**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Badgerland Financial, ACA

(in thousands)

For the year ended December 31		2014		2013		2012
Cash flows from operating activities						
Net income	**$**	**74,217**	$	78,653	$	81,595
Depreciation on premises and equipment		**2,036**		2,053		1,793
Gain on sale of premises and equipment		**(739)**		(315)		(120)
Amortization of premiums on loans		**117**		134		72
Provision for (reversal of) loan losses		**7,962**		(772)		(2,120)
Stock patronage received from AgriBank, FCB		**(1,906)**		(3,925)		(3,631)
(Gain) loss on other property owned		**(481)**		936		951
Changes in operating assets and liabilities:						
Increase in accrued interest receivable		**(1,855)**		(3,414)		(560)
Decrease (increase) in other assets		**1,137**		(293)		1,589
Increase (decrease) in accrued interest payable		**1,044**		1,309		(1,033)
(Decrease) increase in other liabilities		**(934)**		3,516		(8,637)
Net cash provided by operating activities		**80,598**		77,882		69,899
Cash flows from investing activities						
Increase in loans, net		**(183,885)**		(380,163)		(253,686)
Redemptions (purchases) of investment in AgriBank, FCB, net		**6,107**		(3,116)		(7,097)
Purchases of investment in other Farm Credit Institutions, net		**(221)**		(1,893)		(1,633)
Increase in other investments		**(2,475)**		(1,015)		(1,350)
Proceeds from sales of other property owned		**1,486**		4,772		655
Purchases of premises and equipment, net		**(6,192)**		(2,534)		(5,696)
Net cash used in investing activities		**(185,180)**		(383,949)		(268,807)
Cash flows from financing activities						
Increase in note payable to AgriBank, FCB, net		**114,314**		315,258		213,265
Patronage distributions		**(9,550)**		(9,001)		(14,183)
Capital stock and participation certificates retired, net		**(182)**		(190)		(174)
Net cash provided by financing activities		**104,582**		306,067		198,908
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	**$**	**749**	$	959	$	946
Stock applied against loan principal		**373**		470		468
Interest transferred to loans		**165**		393		891
Loans transferred to other property owned		**494**		3,337		--
Patronage distributions payable to members		**13,000**		9,550		9,000
Supplemental information						
Interest paid	**$**	**35,315**	$	29,561	$	30,786
Taxes received		**(1,013)**		(1,267)		(729)

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Badgerland Financial, 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, 2015, the System consisted of three Farm Credit Banks (FCB), one Agricultural Credit Bank (ACB), and 76 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, 2015, 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

Badgerland Financial, ACA (the Association) and its subsidiaries, Badgerland Financial, FLCA and Badgerland Financial, PCA (the subsidiaries) are lending institutions of the System. We are a member-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in the counties of Adams, Buffalo, Calumet, Columbia, Crawford, Dane, Dodge, Fond du Lac, Grant, Green, Green Lake, Iowa, Jackson, Jefferson, Juneau, Kenosha, LaCrosse, Lafayette, Marquette, Milwaukee, Monroe, Ozaukee, Racine, Richland, Rock, Sauk, Sheboygan, Trempealeau, Vernon, Walworth, Washington, Waukesha, and Winnebago in the state of Wisconsin.

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, credit disability, crop hail, multi-peril crop, and livestock gross margin insurance to borrowers and those eligible to borrow. We also offer farm records, fee appraisals, income tax planning and preparation services, retirement and succession planning, producer education services, and access to commodity price hedging to our members.

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.

Certain amounts in prior years’ financial statements have been reclassified to conform to the current year’s presentation.

Principles of Consolidation

The consolidated financial statements present the consolidated financial results of Badgerland Financial, 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. Material 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 other loan fees and related origination costs are not material to the consolidated financial statements taken as a whole.

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 restructured loan. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as 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. All risk loans are considered to be impaired loans. Risk loans include:

- nonaccrual loans,
- accruing restructured loans, and
- accruing loans 90 days or more past due.

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.

Other Investments: The carrying amount of other investments for which we are a limited partner and hold a non-controlling interest in venture capital funds is at cost. The investments are assessed for impairment. If impairment exists, losses are included in “Miscellaneous income (loss), net” in the Consolidated Statements of Income in the year of impairment. Income on the investments is limited to distributions received. In circumstances when distributions exceed our share of earnings after the date of the investments, these distributions are applied to reduce the carrying value of the investments and are not recognized as income.

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 (loss), 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.

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

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 defined benefit retirement plan of the District. 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. New benefits eligible employees hired between October 1, 2001 and December 31, 2006 are on the cash balance formula. Effective January 1, 2007, the defined benefit retirement plan was closed to new employees. The District 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 plans allow eligible employees to save for their retirement either pre-tax, Roth after-tax, post-tax, or both, with an employer match on a percentage of the employee’s contributions. We provide benefits under this plan in the form of a fixed percentage of salary contribution in addition to the employer match for those employees that do not participate in the District’s defined benefit retirement plan. 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. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Any reserve for unfunded lending commitments and unexercised letters of credit is based on management’s best estimate of losses inherent in these instruments but the commitments have not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement are utilized in determining a reserve, if needed. Based on management’s 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, 2014, 2013, or 2012.

Statements of Cash Flows: 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 — 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 the following:

- 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, and
- 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 assumptions 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, but are not yet effective, and have determined that no such standards are expected to have a material impact to our consolidated financial statements. In addition, no accounting pronouncements were adopted during 2014.

NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans consisted of the following (dollars in thousands):

	2014		2013		2012	
As of December 31	Amount	**%**	Amount	%	Amount	%
Real estate mortgage	**$ 2,054,506**	**60.2%**	$ 1,917,174	59.3%	$ 1,602,004	56.1%
Production and intermediate term	**864,969**	**25.3%**	872,465	27.0%	837,245	29.3%
Agribusiness	**307,623**	**9.0%**	260,812	8.1%	253,984	8.9%
Other	**187,845**	**5.5%**	182,001	5.6%	162,673	5.7%
Total	**$ 3,414,943**	**100.0%**	$ 3,232,452	100.0%	$ 2,855,906	100.0%

The other category is comprised of communication, rural residence related, and energy loans as well as loans originated under our mission related investment authority.

Portfolio Concentrations

We have individual borrower, agricultural, and territorial concentrations.

As of December 31, 2014, volume plus commitments to our ten largest borrowers totaled an amount equal to 6.2% of total loans and commitments.

Agricultural concentrations were as follows:

As of December 31	**2014**	2013	2012
Crops	**33.2%**	33.6%	31.7%
Dairy	**30.0%**	30.7%	32.3%
Livestock	**8.5%**	9.3%	9.9%
Rural home	**7.2%**	7.5%	6.3%
Farm supplies	**4.0%**	4.0%	5.3%
Rural utilities	**3.6%**	3.5%	3.4%
Ethanol	**1.3%**	1.0%	2.1%
Other	**12.2%**	10.4%	9.0%
Total	**100.0%**	100.0%	100.0%

We are chartered to operate in certain counties in Wisconsin. Approximately 13.3% of our total loan portfolio was in Dane and Fond du Lac counties at December 31, 2014.

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. 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. The following table presents information regarding participations purchased and sold (in thousands):

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2014	**Purchased**	**Sold**	**Purchased**	**Sold**	**Purchased**	**Sold**	**Purchased**	**Sold**
Real estate mortgage	**$ --**	**$ (450,745)**	**$ 179,694**	**$ (13,983)**	**$ 176,836**	**$ --**	**$ 356,530**	**$ (464,728)**
Production and intermediate term	**--**	**(9,231)**	**89,946**	**(21,281)**	**17,006**	**--**	**106,952**	**(30,512)**
Agribusiness	**--**	**(32,693)**	**285,850**	**--**	**17,497**	**--**	**303,347**	**(32,693)**
Other	**--**	**(386)**	**109,523**	**--**	**--**	**--**	**109,523**	**(386)**
Total	**$ --**	**$ (493,055)**	**$ 665,013**	**$ (35,264)**	**$ 211,339**	**$ --**	**$ 876,352**	**$ (528,319)**

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2013	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ --	$ (448,737)	$ 187,557	$ (15,731)	$ 163,417	$ --	$ 350,974	$ (464,468)
Production and intermediate term	--	(5,598)	91,391	(18,147)	22,931	--	114,322	(23,745)
Agribusiness	--	(11,958)	218,630	--	19,112	--	237,742	(11,958)
Other	--	(464)	100,832	--	--	--	100,832	(464)
Total	$ --	$ (466,757)	$ 598,410	$ (33,878)	$ 205,460	$ --	$ 803,870	$ (500,635)

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2012	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ --	$ (469,397)	$ 126,406	$ (13,950)	$ 128,465	$ --	$ 254,871	$ (483,347)
Production and intermediate term	--	(9,044)	102,492	(20,533)	40,586	--	143,078	(29,577)
Agribusiness	--	(12,007)	214,896	--	14,926	--	229,822	(12,007)
Other	--	(498)	83,453	--	--	--	83,453	(498)
Total	$ --	$ (490,946)	$ 527,247	$ (34,483)	$ 183,977	$ --	$ 711,224	$ (525,429)

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

On July 1, 2014, we sold to AgriBank a 90.0% participation interest in real estate loans under the AgriBank Asset Pool program totaling $60.8 million. These loan participations were added to the participation pool originally established by AgriBank in 2008. As a result of this transaction, we were required to purchase additional AgriBank stock in order to maintain the required investment equal to 8.0% of the loans we have sold under this program.

Credit Quality and Delinquency

One credit quality indicator we utilize is the FCA Uniform Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable: loans are expected to be fully collectible and represent the highest quality,
- Other assets especially mentioned (OAEM): loans are currently collectible but exhibit some potential weakness,
- Substandard: loans exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan,
- Doubtful: loans exhibit similar weaknesses to substandard loans; however, doubtful loans have additional weaknesses in existing factors, conditions, and values that make collection in full highly questionable, and
- Loss: loans are considered uncollectible.

We had no loans categorized as loss at December 31, 2014, 2013, or 2012.

The following table summarizes loans and related accrued interest receivable classified under the FCA Uniform Classification System by loan type (dollars in thousands):

As of December 31, 2014	Acceptable Amount	%	OAEM Amount	%	Substandard/ Doubtful Amount	%	Total Amount
Real estate mortgage	**$ 1,967,601**	**95.2%**	**$ 46,810**	**2.3%**	**$ 51,000**	**2.5%**	**$ 2,065,411**
Production and intermediate term	**831,095**	**95.3%**	**17,144**	**2.0%**	**23,264**	**2.7%**	**871,503**
Agribusiness	**307,387**	**99.7%**	**884**	**0.3%**	**--**	**--**	**308,271**
Other	**183,484**	**97.4%**	**3,505**	**1.9%**	**1,405**	**0.7%**	**188,394**
Total	**$ 3,289,567**	**95.8%**	**$ 68,343**	**2.0%**	**$ 75,669**	**2.2%**	**$ 3,433,579**

As of December 31, 2013	Acceptable Amount	%	OAEM Amount	%	Substandard/ Doubtful Amount	%	Total Amount
Real estate mortgage	$ 1,849,715	96.0%	$ 27,847	1.4%	$ 49,198	2.6%	$ 1,926,760
Production and intermediate term	835,578	95.1%	24,730	2.8%	18,587	2.1%	878,895
Agribusiness	243,874	93.4%	17,277	6.6%	--	--	261,151
Other	177,854	97.4%	3,769	2.1%	969	0.5%	182,592
Total	$ 3,107,021	95.6%	$ 73,623	2.3%	$ 68,754	2.1%	$ 3,249,398

As of December 31, 2012	Acceptable Amount	%	OAEM Amount	%	Substandard/ Doubtful Amount	%	Total Amount
Real estate mortgage	$ 1,537,323	95.5%	$ 32,028	2.0%	$ 40,320	2.5%	$ 1,609,671
Production and intermediate term	810,631	96.2%	13,427	1.6%	18,662	2.2%	842,720
Agribusiness	237,557	93.4%	9,116	3.6%	7,633	3.0%	254,306
Other	157,543	96.6%	3,217	2.0%	2,374	1.5%	163,134
Total	$ 2,743,054	95.6%	$ 57,788	2.0%	$ 68,989	2.4%	$ 2,869,831

The following table provides an aging analysis of past due loans and related accrued interest receivable by loan type (in thousands):

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 Loans	90 Days Past Due and Accruing
Real estate mortgage	**$ 9,835**	**$ 2,155**	**$ 11,990**	**$ 2,053,421**	**$ 2,065,411**	**$ 142**
Production and intermediate term	**4,757**	**590**	**5,347**	**866,156**	**871,503**	**107**
Agribusiness	**--**	**--**	**--**	**308,271**	**308,271**	**--**
Other	**151**	**655**	**806**	**187,588**	**188,394**	**--**
Total	**$ 14,743**	**$ 3,400**	**$ 18,143**	**$ 3,415,436**	**$ 3,433,579**	**$ 249**

As of December 31, 2013	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 Loans	90 Days Past Due and Accruing
Real estate mortgage	$ 6,035	$ 2,886	$ 8,921	$ 1,917,839	$ 1,926,760	$ 890
Production and intermediate term	3,046	549	3,595	875,300	878,895	138
Agribusiness	--	1	1	261,150	261,151	1
Other	1,635	53	1,688	180,904	182,592	--
Total	$ 10,716	$ 3,489	$ 14,205	$ 3,235,193	$ 3,249,398	$ 1,029

As of December 31, 2012	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 Loans	90 Days Past Due and Accruing
Real estate mortgage	$ 8,143	$ 2,799	$ 10,942	$ 1,598,729	$ 1,609,671	$ 1,549
Production and intermediate term	2,079	6,051	8,130	834,590	842,720	5,276
Agribusiness	3,107	2,493	5,600	248,706	254,306	--
Other	273	1,886	2,159	160,975	163,134	474
Total	$ 13,602	$ 13,229	$ 26,831	$ 2,843,000	$ 2,869,831	$ 7,299

Risk Loans

The following table presents risk loan information (accruing loans include accrued interest receivable) (in thousands):

As of December 31	**2014**	2013	2012
Nonaccrual loans:			
Current	**$ 6,365**	$ 6,077	$ 5,947
Past due	**5,167**	2,981	7,119
Total nonaccrual loans	**11,532**	9,058	13,066
Accruing restructured loans	**56**	4	233
Accruing loans 90 days or more past due	**249**	1,029	7,299
Total risk loans	**$ 11,837**	$ 10,091	$ 20,598
Volume with specific reserves	**$ 2,519**	$ 184	$ 2,716
Volume without specific reserves	**9,318**	9,907	17,882
Total risk loans	**$ 11,837**	$ 10,091	$ 20,598
Total specific reserves	**$ 874**	$ 147	$ 1,876

For the year ended December 31	**2014**	2013	2012
Income on accrual risk loans	**$ 68**	$ 244	$ 138
Income on nonaccrual loans	**562**	771	1,249
Total income on risk loans	**$ 630**	$ 1,015	$ 1,387
Average risk loans	**$ 12,917**	$ 15,290	$ 18,443

The increase in nonaccrual loans was primarily due to 2014 nonaccrual transfers related to a large veal operation and a loan originated under our mission related investment authority.

The decrease in accruing loans 90 days or more past due was primarily due to principal payments during 2014 sufficient to bring the loans to current status.

Beginning in 2012, 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. 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. As of December 31, 2014, no loans are guaranteed by or have been sold to Farmer Mac under this agreement.

Nonaccrual loans by loan type were as follows (in thousands):

As of December 31	**2014**	2013	2012
Real estate mortgage	**$ 7,660**	$ 7,809	$ 7,141
Production and intermediate term	**2,900**	849	1,621
Agribusiness	**--**	--	2,520
Other	**972**	400	1,784
Total	**$ 11,532**	$ 9,058	$ 13,066

Accruing loans 90 days or more past due and related accrued interest by loan type were as follows (in thousands):

As of December 31	2014	2013	2012
Real estate mortgage	$ 142	$ 890	$ 1,549
Production and intermediate term	107	138	5,276
Agribusiness	--	1	--
Other	--	--	474
Total	$ 249	$ 1,029	$ 7,299

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.

All risk loans are considered to be impaired loans. The following table provides additional impaired loan information (in thousands):

	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	$ 79	$ 80	$ 4	$ 86	$ --
Production and intermediate term	1,985	2,193	665	2,010	--
Agribusiness	--	--	--	--	--
Other	455	945	205	882	--
Total	$ 2,519	$ 3,218	$ 874	$ 2,978	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 7,723	$ 8,677	$ --	$ 8,400	$ 551
Production and intermediate term	1,078	2,073	--	1,092	34
Agribusiness	--	902	--	--	43
Other	517	619	--	447	2
Total	$ 9,318	$ 12,271	$ --	$ 9,939	$ 630
Total impaired loans:					
Real estate mortgage	$ 7,802	$ 8,757	$ 4	$ 8,486	$ 551
Production and intermediate term	3,063	4,266	665	3,102	34
Agribusiness	--	902	--	--	43
Other	972	1,564	205	1,329	2
Total	$ 11,837	$ 15,489	$ 874	$ 12,917	$ 630

	As of December 31, 2013			For the year ended December 31, 2013	
	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	$ --	$ --	$ --	$ 441	$ --
Production and intermediate term	184	234	147	765	--
Agribusiness	--	--	--	--	--
Other	--	--	--	1,332	--
Total	$ 184	$ 234	$ 147	$ 2,538	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 8,699	$ 9,677	$ --	$ 8,229	$ 681
Production and intermediate term	808	1,881	--	3,361	243
Agribusiness	1	902	--	494	25
Other	399	571	--	668	66
Total	$ 9,907	$ 13,031	$ --	$ 12,752	$ 1,015
Total impaired loans:					
Real estate mortgage	$ 8,699	$ 9,677	$ --	$ 8,670	$ 681
Production and intermediate term	992	2,115	147	4,126	243
Agribusiness	1	902	--	494	25
Other	399	571	--	2,000	66
Total	$ 10,091	$ 13,265	$ 147	$ 15,290	$ 1,015

	As of December 31, 2012			For the year ended December 31, 2012	
	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	$ 961	$ 1,000	$ 900	$ 962	$ --
Production and intermediate term	406	474	278	296	--
Agribusiness	--	--	--	2,572	--
Other	1,349	1,429	698	1,083	--
Total	$ 2,716	$ 2,903	$ 1,876	$ 4,913	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 7,729	$ 8,557	$ --	$ 7,741	$ 580
Production and intermediate term	6,724	7,511	--	4,901	779
Agribusiness	2,520	4,019	--	59	18
Other	909	984	--	829	10
Total	$ 17,882	$ 21,071	$ --	$ 13,530	$ 1,387
Total impaired loans:					
Real estate mortgage	$ 8,690	$ 9,557	$ 900	$ 8,703	$ 580
Production and intermediate term	7,130	7,985	278	5,197	779
Agribusiness	2,520	4,019	--	2,631	18
Other	2,258	2,413	698	1,912	10
Total	$ 20,598	$ 23,974	$ 1,876	$ 18,443	$ 1,387

The recorded investment in the loan is the face 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 did not have any material commitments to lend additional money to borrowers whose loans were at risk at December 31, 2014.

Troubled Debt Restructurings

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.

The following table presents information regarding TDRs that occurred during the year ended December 31 (in thousands):

	2014		2013		2012	
	Pre-modification	Post-modification	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	**$ 175**	**$ 175**	$ 4	$ 4	$ 205	$ 205
Production and intermediate term	**103**	**102**	--	--	782	685
Total	**$ 278**	**$ 277**	$ 4	$ 4	$ 987	$ 890

Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. The recorded investment 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.

The primary types of modification typically include interest compromise, deferral of principal, extension of maturity, or reduction in interest rate below market.

We had TDRs of $100 thousand that defaulted during the year ended December 31, 2012, in which the modifications were within 12 months of the respective reporting period. TDRs with a payment default occurred in the production and intermediate term loan category. There were no TDRs that defaulted during the years ended December 31, 2014 or 2013 in which the modification was within 12 months of the respective reporting period.

The following table presents information regarding TDRs outstanding (in thousands):

	2014			2013			2012		
As of December 31	TDRs in Accrual Status	TDRs in Nonaccrual Status	Total TDRs Outstanding	TDRs in Accrual Status	TDRs in Nonaccrual Status	Total TDRs Outstanding	TDRs in Accrual Status	TDRs in Nonaccrual Status	Total TDRs Outstanding
Real estate mortgage	**$ --**	**$ 313**	**$ 313**	$ --	$ 170	$ 170	$ --	$ 185	$ 185
Production and intermediate term	**56**	**191**	**247**	4	260	264	233	443	676
Total	**$ 56**	**$ 504**	**$ 560**	$ 4	$ 430	$ 434	$ 233	$ 628	$ 861

There were no additional commitments to lend to borrowers whose loans have been modified in a TDR at December 31, 2014.

Allowance for Loan Losses

A summary of the changes in the allowance for loan losses follows (in thousands):

For the year ended December 31	**2014**	2013	2012
Balance at beginning of year	**$ 2,740**	$ 4,540	$ 6,621
Provision for (reversal of) loan losses	**7,962**	(772)	(2,120)
Loan recoveries	**136**	119	266
Loan charge-offs	**(1,460)**	(1,147)	(227)
Balance at end of year	**$ 9,378**	$ 2,740	$ 4,540

The increase in the allowance for loan losses is primarily related to $8.0 million of provision expense recorded, including the establishment of a $5.3 million general allowance reserve at the end of 2014 based on a loan portfolio analysis conducted to determine the impact of declining commodity prices.

A summary of changes in the allowance for loan losses and period end recorded investments in loans by loan type follows (in thousands):

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2013	**$ 1,031**	**$ 1,337**	**$ 225**	**$ 147**	**$ 2,740**
Provision for loan losses	**4,080**	**2,760**	**8**	**1,114**	**7,962**
Loan recoveries	**3**	**130**	**--**	**3**	**136**
Loan charge-offs	**(181)**	**(429)**	**--**	**(850)**	**(1,460)**
Balance as of December 31, 2014	**$ 4,933**	**$ 3,798**	**$ 233**	**$ 414**	**$ 9,378**
Ending balance: individually evaluated for impairment	**$ 4**	**$ 665**	**$ --**	**$ 205**	**$ 874**
Ending balance: collectively evaluated for impairment	**$ 4,929**	**$ 3,133**	**$ 233**	**$ 209**	**$ 8,504**
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2014	**$ 2,065,411**	**$ 871,503**	**$ 308,271**	**$ 188,394**	**$ 3,433,579**
Ending balance: individually evaluated for impairment	**$ 7,802**	**$ 3,063**	**$ --**	**$ 972**	**$ 11,837**
Ending balance: collectively evaluated for impairment	**$ 2,057,609**	**$ 868,440**	**$ 308,271**	**$ 187,422**	**$ 3,421,742**

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2012	$ 1,588	$ 1,670	$ 449	$ 833	$ 4,540
(Reversal of) provision for loan losses	(632)	(154)	(224)	238	(772)
Loan recoveries	98	19	2	--	119
Loan charge-offs	(23)	(198)	(2)	(924)	(1,147)
Balance as of December 31, 2013	$ 1,031	$ 1,337	$ 225	$ 147	$ 2,740
Ending balance: individually evaluated for impairment	$ --	$ 147	$ --	$ --	$ 147
Ending balance: collectively evaluated for impairment	$ 1,031	$ 1,190	$ 225	$ 147	$ 2,593
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2013	$ 1,926,760	$ 878,895	$ 261,151	$ 182,592	$ 3,249,398
Ending balance: individually evaluated for impairment	$ 8,699	$ 992	$ 1	$ 399	$ 10,091
Ending balance: collectively evaluated for impairment	$ 1,918,061	$ 877,903	$ 261,150	$ 182,193	$ 3,239,307

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2011	$ 996	$ 1,876	$ 3,146	$ 603	$ 6,621
Provision for (reversal of) loan losses	548	(191)	(2,707)	230	(2,120)
Loan recoveries	101	150	15	--	266
Loan charge-offs	(57)	(165)	(5)	--	(227)
Balance as of December 31, 2012	$ 1,588	$ 1,670	$ 449	$ 833	$ 4,540
Ending balance: individually evaluated for impairment	$ 900	$ 278	$ --	$ 698	$ 1,876
Ending balance: collectively evaluated for impairment	$ 688	$ 1,392	$ 449	$ 135	$ 2,664
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2012	$ 1,609,671	$ 842,720	$ 254,306	$ 163,134	$ 2,869,831
Ending balance: individually evaluated for impairment	$ 8,690	$ 7,130	$ 2,520	$ 2,258	$ 20,598
Ending balance: collectively evaluated for impairment	$ 1,600,981	$ 835,590	$ 251,786	$ 160,876	$ 2,849,233

The recorded investment in the loan is the face 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

Effective March 31, 2014, 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. Prior to March 31, 2014, the required investment was equal to 2.5%.

As of December 31, 2014, we were also required by AgriBank to maintain an investment equal to 8.0% of the quarter end balance of the participation interests in real estate loans sold to AgriBank under the AgriBank Asset Pool program.

The balance of our investment in AgriBank, all required stock, was $96.8 million, $101.0 million, and $94.0 million at December 31, 2014, 2013, and 2012, respectively.

NOTE 5: OTHER INVESTMENTS

We hold non-controlling investments in venture capital equity funds of $6.7 million, $4.3 million, and $3.2 million at December 31, 2014, 2013, and 2012, respectively. These investments represent our stake in two venture capital equity funds focused on the needs of rural start-up companies. Our $5.0 million commitment to these venture capital equity funds began in 2008 and was initially over a period of ten years. In 2013, we committed an additional $5.0 million over a period of ten additional years. We are a limited partner in the funds, and these investments are valued at cost. Our remaining commitment to the funds at December 31, 2014 was $2.8 million over the next nine years and $91 thousand over the next four years under the respective commitments.

The investments were evaluated for impairment. During the year ended December 31, 2013, $385 thousand of impairment was recognized on these investments. No impairments were recognized on these investments during 2014 or 2012. We have not received any distributions from the funds during the years ended December 31, 2014, 2013, or 2012.

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. The following table summarizes note payable information (dollars in thousands):

As of December 31	**2014**	2013	2012
Line of credit	**$ 3,450,000**	$ 3,250,000	$ 2,950,000
Outstanding principal under the line of credit	**2,787,000**	2,672,686	2,357,428
Interest rate	**1.4%**	1.3%	1.2%

Our note payable matures August 31, 2015, 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, 2014, and throughout the year, we were within the specified limitations and in compliance with all debt covenants.

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 with the exception of tax and farm accounting 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 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 Capital Requirements

Under current capital adequacy regulations, we are required to maintain a permanent capital ratio of at least 7.0%, a total surplus ratio of at least 7.0%, and a core surplus ratio of at least 3.5%. The calculation of these ratios in accordance with the FCA Regulations is discussed as follows:

- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At December 31, 2014, our ratio was 16.6%.
- The total surplus ratio is average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At December 31, 2014, our ratio was 16.4%.
- The core surplus ratio is average unallocated surplus less any deductions made in the computation of total surplus and less any excess stock investment in AgriBank divided by average risk-adjusted assets. At December 31, 2014, our ratio was 16.4%.

Regulatory capital includes all of our investment in AgriBank that is in excess of the required investment under an allotment agreement with AgriBank. However, we no longer have any excess stock at December 31, 2014, 2013, or 2012.

Description of Equities

The following table presents information regarding classes and number of shares of stock and participation certificates outstanding as of December 31, 2014. All shares and participation certificates are stated at a $5.00 par value.

	Shares Outstanding
Class B common stock (at-risk)	**1,623,646**
Class E participation certificates (at-risk)	**45,294**

Under our bylaws, we are also authorized to issue Class C and Class D common 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 B 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, 2014, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In accordance with our bylaws, in the event of our liquidation or dissolution, any assets remaining after payment or retirement of all liabilities shall be distributed pro rata to all holders of stock and participation certificates.

In the event of impairment, losses will be absorbed by concurrent impairment of all classes of stock and participation certificates.

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 $13.0 million, $9.6 million, and $9.0 million at December 31, 2014, 2013, and 2012, 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. In response to adverse weather conditions and the impact on Wisconsin farm families during 2012, a special, one-time mid-year patronage distribution was approved by the Board of Directors. This patronage distribution of $5.2 million was paid in cash in October 2012. Total patronage distributions were $9.6 million, $9.0 million, and $14.2 million for the years ended December 31, 2014, 2013, and 2012, respectively.

The FCA Regulations prohibit patronage distributions to the extent they would reduce our permanent capital ratio below the minimum permanent capital adequacy standards. We do not foresee any events that would result in this prohibition in 2015.

NOTE 8: INCOME TAXES

(Benefit from) Provision for Income Taxes

Our (benefit from) provision for income taxes follows (dollars in thousands):

For the year ended December 31	**2014**	2013	2012
Current:			
Federal	**$ 7**	$ --	$ 109
Total current	**7**	--	109
Deferred:			
Federal	**(829)**	(174)	(45)
State	**(272)**	(93)	(11)
Total deferred	**(1,101)**	(267)	(56)
(Benefit from) provision for income taxes	**$ (1,094)**	$ (267)	$ 53
Effective tax rate	**(1.5%)**	(0.3%)	0.1%

The following table quantifies the differences between the (benefit from) provision for income taxes and income taxes at the statutory rates (in thousands):

For the year ended December 31	2014	2013	2012
Federal tax at statutory rates	$ **24,862**	$ 27,436	$ 27,143
State tax, net	**(108)**	(5)	(3)
Patronage distributions	**(1,955)**	(2,870)	(4,241)
Effect of non-taxable entity	**(23,614)**	(24,597)	(22,919)
Other	**(279)**	(231)	73
(Benefit from) provision for income taxes	$ **(1,094)**	$ (267)	$ 53

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 were composed of the following (in thousands):

As of December 31	2014	2013	2012
Allowance for loan losses	$ **1,335**	$ 449	$ 585
Postretirement benefit accrual	**891**	896	897
Accrued patronage income not received	**(255)**	(345)	(310)
AgriBank 2002 allocated stock	**(1,221)**	(1,221)	(1,221)
Accrued pension asset	**(1,839)**	(1,738)	(1,796)
Depreciation	**--**	(77)	(358)
Other assets	**424**	270	170
Other liabilities	**(388)**	(388)	(388)
Deferred tax liabilities, net	$ **(1,053)**	$ (2,154)	$ (2,421)
Gross deferred tax assets	$ **2,650**	$ 1,615	$ 1,652
Gross deferred tax liabilities	$ **(3,703)**	$ (3,769)	$ (4,073)

A valuation allowance for the deferred tax assets was not necessary at December 31, 2014, 2013, or 2012.

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 $39.7 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $539.7 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, 2014. In addition, we believe we are no longer subject to income tax examinations for years prior to 2011.

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 2014 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.

As disclosed in the District financial statements, the defined benefit pension plan reflects an unfunded liability totaling $423.9 million at December 31, 2014. The pension benefits funding status 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 projected benefit obligation of the District-wide plan was $1.2 billion, $1.0 billion, and $1.1 billion at December 31, 2014, 2013, and 2012, respectively. The fair value of the plan assets was $811.1 million, $759.5 million, and $640.1 million at December 31, 2014, 2013, and 2012, respectively. The accumulated benefit obligation, which 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, exceeds pension plan assets. The accumulated benefit obligation for the District-wide plan was $1.1 billion, $864.2 million, and $908.2 million at December 31, 2014, 2013, and 2012, respectively. 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. Total plan expense for participating employers was $45.8 million, $63.3 million, and $52.7 million for 2014, 2013, and 2012, respectively. Our allocated share of plan expenses included in "Salaries and employee benefits" in the Consolidated Statements of Income was $3.1 million, $4.1 million, and $3.5 million for 2014, 2013, and 2012, respectively. The plan expense for participating employers in 2015 is expected to increase to levels more consistent with 2013 primarily due to changes in discount rate and mortality assumptions. Participating employers contributed $52.0 million, $59.0 million, and $51.3 million to the plan in 2014, 2013, and 2012, respectively. Our allocated share of these pension contributions was $3.5 million, $3.9 million, and $3.4 million for 2014, 2013, and 2012, respectively. Benefits paid to participants in the District were $42.6 million in 2014, none of which were paid to our senior officers who were actively employed during the year. 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 plans during 2015 is $57.9 million. Our allocated share of these pension contributions is expected to be $3.6 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 plan. The anticipated costs of these benefits are accrued during the period of the employee's active status. Postretirement benefit costs included in "Salaries and employee benefits" in the Consolidated Statements of Income were $67 thousand, $85 thousand, and $83 thousand for 2014, 2013, and 2012, respectively. Our cash contributions, equal to the benefits paid, were $92 thousand, $89 thousand, and $86 thousand for 2014, 2013, and 2012, respectively.

Defined Contribution Plans

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

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

Employer contribution expenses for the retirement savings plans, included in "Salaries and employee benefits" in the Consolidated Statements of Income, were $1.3 million, $1.2 million, and $1.0 million in 2014, 2013, and 2012, 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 are 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, 2014 involved more than a normal risk of collectability.

The following table presents information on loans to related parties (in thousands):

	2014	2013	2012
As of December 31:			
Total related party loans	**$ 71,247**	$ 52,706	$ 60,238
For the year ended December 31:			
Advances to related parties	**$ 42,304**	$ 15,120	$ 24,495
Repayments by related parties	**64,990**	36,314	38,058

The related parties can be different each year end primarily due to changes in the composition of the Board of Directors. Advances and repayments to related parties at the end of each year are included in the preceding chart.

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 $1.0 million in each of the years 2014, 2013, and 2012.

We also purchase human resource information systems, benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). As of December 31, 2014, 2013, and 2012, our investment in Foundations was $35 thousand. The total cost of services purchased from Foundations was $165 thousand, $150 thousand, and $140 thousand in 2014, 2013, and 2012, respectively.

NOTE 11: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have contingent liabilities and outstanding commitments which may not be reflected in the accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in lawsuits or legal actions in the normal course of business. At the date of these consolidated financial statements, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

We have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk that may be recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. At December 31, 2014, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $1.1 billion. Additionally, we had $12.2 million of issued standby letters of credit as of December 31, 2014.

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

We hold non-controlling investments in venture capital equity funds. Our remaining commitment to the funds at December 31, 2014, was $2.9 million. Refer to Note 5 for additional discussion regarding this commitment.

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 measured at fair value on a recurring basis at December 31, 2014, 2013, or 2012.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. Information on assets measured at fair value on a non-recurring basis follows (in thousands):

As of December 31, 2014	Fair Value Measurement Using				Total (Losses)
	Level 1	Level 2	Level 3	Total Fair Value	Gains
Loans	**$ --**	**$ 1,703**	**$ 24**	**$ 1,727**	**$ (2,187)**
Other property owned	**--**	**--**	**813**	**813**	**481**

As of December 31, 2013	Fair Value Measurement Using				Total Gains
	Level 1	Level 2	Level 3	Total Fair Value	(Losses)
Loans	$ --	$ 27	$ 12	$ 39	$ 582
Other property owned	--	--	1,345	1,345	(936)

As of December 31, 2012	Fair Value Measurement Using				Total Gains
	Level 1	Level 2	Level 3	Total Fair Value	(Losses)
Loans	$ --	$ 867	$ 14	$ 881	$ 1,515
Other property owned	--	--	3,811	3,811	(951)

Valuation Techniques

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.

Other property owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 13: FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of all our financial instruments is as follows (in thousands):

	2014		2013		2012	
As of December 31	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:						
Net loans	**$ 3,405,565**	**$ 3,439,375**	$ 3,229,712	$ 3,204,273	$ 2,851,366	$ 2,881,022
Other investments	**6,725**	**6,725**	4,250	4,250	3,235	3,235
Financial liabilities:						
Note payable to AgriBank, FCB	**$ 2,787,000**	**$ 2,796,124**	$ 2,672,686	$ 2,650,623	$ 2,357,428	$ 2,378,600
Unrecognized financial instruments:						
Commitments to extend credit and letters of credit		**$ (1,373)**		$ (1,423)		$ (1,312)

Quoted market prices are generally not available for our financial instruments. Accordingly, we base fair values on:

- judgments regarding future expected losses,
- current economic conditions,
- risk characteristics of various financial instruments,
- credit risk, and
- other factors.

These estimates involve uncertainties, matters of judgment, and cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Estimating the fair value of our investment in AgriBank is not practical because the stock is not traded. As discussed in Notes 2 and 4, the investment is a requirement of borrowing from AgriBank.

A description of the methods and assumptions used to estimate the fair value of each class of our financial instruments, for which it is practical to estimate that value, follows:

Net loans: Because no active market exists for our loans, fair value is estimated by discounting the expected future cash flows using current interest rates at which similar loans would be made or repriced to borrowers with similar credit risk. In addition, loans are valued using the Farm Credit interest rate yield curve, prepayment rates, contractual loan information, credit classification, and collateral values. As the discount rates are based upon internal pricing mechanisms and other management estimates, management has no basis to determine whether the fair values presented would be indicative of the exit price negotiated in an actual sale. Furthermore, certain statutory or regulatory factors not considered in the valuation, such as the unique statutory rights of System borrowers, could render our portfolio less marketable outside the System.

For fair value of loans individually impaired, we assume collection will result only from the sale of the underlying collateral. Fair value is estimated to equal the total net realizable value of the underlying collateral. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

Other investments: Given the limited information available related to the expected return of our non-controlling interest in a venture capital fund and current earnings of the fund do not indicate further impairment or projected losses, fair value was estimated at cost.

Note payable to AgriBank: Estimating the fair value of the note payable to AgriBank is determined by segregating the note into pricing pools according to the types and terms of the underlying loans funded. We discount the estimated cash flows from these pools using the current rate charged by AgriBank for additional borrowings with similar characteristics.

Commitments to extend credit and letters of credit: Estimating the fair value of commitments and letters of credit is determined by the inherent credit loss in such instruments.

NOTE 14: QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly consolidated results of operations for the year ended December 31 follows (in thousands):

2014	First	Second	Third	Fourth	Total
Net interest income	**$ 23,319**	**$ 23,122**	**$ 23,632**	**$ 23,891**	**$ 93,964**
Provision for loan losses	**184**	**726**	**1,026**	**6,026**	**7,962**
Patronage income	**5,564**	**5,207**	**5,215**	**6,407**	**22,393**
Other expense, net	**9,600**	**10,646**	**6,383**	**8,643**	**35,272**
Provision for (benefit from) income taxes	**178**	**(435)**	**(259)**	**(578)**	**(1,094)**
Net income	**$ 18,921**	**$ 17,392**	**$ 21,697**	**$ 16,207**	**$ 74,217**

2013	First	Second	Third	Fourth	Total
Net interest income	$ 21,835	$ 21,992	$ 23,436	$ 23,087	$ 90,350
(Reversal of) provision for loan losses	(436)	22	(1,158)	800	(772)
Patronage income	5,090	4,845	4,985	7,348	22,268
Other expense, net	8,010	11,555	5,268	10,171	35,004
Provision for (benefit from) income taxes	228	(61)	(352)	(82)	(267)
Net income	$ 19,123	$ 15,321	$ 24,663	$ 19,546	$ 78,653

2012	First	Second	Third	Fourth	Total
Net interest income	$ 21,399	$ 21,001	$ 22,159	$ 21,152	$ 85,711
(Reversal of) provision for loan losses	(1,584)	(41)	576	(1,071)	(2,120)
Patronage income	4,249	4,579	4,847	6,695	20,370
Other expense, net	6,782	6,131	5,177	8,463	26,553
Provision for (benefit from) income taxes	837	531	(1,595)	280	53
Net income	$ 19,613	$ 18,959	$ 22,848	$ 20,175	$ 81,595

NOTE 15: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 11, 2015, 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 2014 consolidated financial statements or disclosures in the Notes to Consolidated Financial Statements.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

Badgerland Financial, ACA

(Unaudited)

Description of Business

General information regarding the business is discussed in Note 1 of this Annual Report.

The description of significant business developments, if any, is discussed in the "Management's Discussion and Analysis" section of this Annual Report.

Description of Property

The following table sets forth certain information regarding our properties:

Location	Description	Usage
Arcadia	Owned	Branch
Baraboo	Owned	Branch
Beaver Dam	Owned	Branch
Burlington	Owned	Branch
Chilton	Owned	Branch
Darlington	Leased	Contact Point
Dodgeville	Owned	Branch
Fond du Lac	Owned	Branch
Janesville	Owned	Branch
Lancaster	Owned	Branch
Madison	Leased	Branch
Mondovi	Owned	Branch
Monroe	Leased	Branch
Mt. Horeb	Leased	Contact Point
Plymouth	Owned	Branch
Prairie du Sac	Owned	Corporate Headquarters
Sparta	Owned	Branch
Viroqua	Leased	Branch
Watertown	Owned	Branch

We opened a new office in Sun Prairie on January 12, 2015. This office replaces our former Madison branch location.

Legal Proceedings

Information regarding legal proceedings is discussed in Note 11 of this Annual Report. We were not subject to any enforcement actions as of December 31, 2014.

Description of Capital Structure

Information regarding our capital structure is discussed in Note 7 of this Annual Report.

Description of Liabilities

Information regarding liabilities is discussed in Notes 6, 7, 8, 9, 11, and 13 of this Annual Report.

Selected Financial Data

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

Management's Discussion and Analysis

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

Board of Directors

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

- The **Audit Committee** oversees financial reporting, the adequacy of our internal control systems, the scope of our internal audit program, the independence of the outside auditors, and the processes for monitoring compliance with laws and regulations and the code of ethics. The Audit Committee also oversees the adequacy of management's action with respect to recommendations arising from auditing activities;
- The **Governance Committee** addresses issues of Board governance and the Board's continuing efforts to strengthen and renew the Board, administers a process for maintaining and periodically reviewing board policies, and administers a planning process focused upon achieving our mission and maintaining a viable, competitive institution; and
- The **Compensation Committee** oversees and provides overall direction and/or recommendations for compensation, benefits, and human resource performance management programs.

Information regarding directors who served as of December 31, 2014, including business experience in the last five years and any other business interest where a director serves on the Board of Directors or as a senior officer follows:

Gary Boyke, Director, is the owner of Vir-Clar Farms, LLC, a 1,500 cow family dairy farm. He is also the owner of a sporting goods store, Dutch's Outdoor LLC, specializing in fishing, archery, and guns. His term began in 2012 and expires in 2015.

Mark Cade, Chairperson of the Board, is a self-employed grain farmer. His term began in 2012 and expires in 2015.

Ken Congdon, Director, is a self-employed grain farmer. His term began in 2014 and expires in 2017.

Dean Dorn, Director, is a self-employed dairy farmer. His term began in 2013 and expires in 2016.

Jerome Durst, Director, is a self-employed dairy farmer. His term began in 2012 and expires in 2015.

Timothy Evert, Vice Chairperson of the Board, is an owner/partner in United Dreams Dairy LLC. He is also President/Owner of Evert Farms Inc. His term began in 2013 and expires in 2016.

Sandy Larson, Director, is a self-employed dairy farmer. She farms with her family at Larson Acres, Inc., a 2,800 cow and 5,000 acre dairy farm in Rock County. She also serves as President of the board of WI Veterinary Diagnostics Lab and as a director on the board of Rock County Dairy Promotion. Her term began in 2014 and expires in 2017.

Don Leix, Director, is a self-employed dairy and crop farmer. His term began in 2014 and expires in 2017.

John Manske, Outside Director, is a Director of Government Relations for Cooperative Network, a multi-state trade association. His term began in 2014 and expires in 2017.

Lori Meinholz, Director, is a partner in Blue Star Dairy, in Dane County. Her term began in 2012 and expires in 2015.

Gregory Pollesch, CPA, Outside Director. He is a Director and the Chief Financial Officer for Galloway Company, a sweetened condensed milk and ice cream mix manufacturer. Prior to his current position, Mr. Pollesch worked for a cheese manufacturer. His term began in 2013 and expires in 2016.

Jim Rickert, Director, is an owner/operator of Rickert Brothers LLC, a family owned dairy farm. His term began in 2013 and expires in 2016.

Max Weiss, Director, is a self-employed grain and livestock farmer. His term began in 2013 and expires in 2016.

Michael Winker, Director, is a self-employed beef and cash crop farmer and serves on the board of Ozaukee County Dairy Promotion. His term began in 2014 and expires in 2017.

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 $600 per day per diem for Board meetings, $350 per day for special meetings and $150 per diem for conference calls. In addition, the directors receive 20 cents per mile over the standard Internal Revenue Service rate. The Chairperson received an additional $125 per month, the Vice Chairperson received an additional $50 per month, the Audit Committee Chairperson received an additional $500 per year, and each director received an annual retainer fee of $3,000.

Information regarding compensation paid to each director who served during 2014 follows:

	Number of Days Served		Compensation Paid for Service on a Board Committee	Name of Committee	Total Compensation Paid in 2014
	Board Meetings	Other Official Activities			
Gary Boyke	12.5	19.5	$ 1,476	Audit	$ 17,358
Mark Cade	11.5	33.5	1,606	Audit	23,315
			684	Compensation	
			1,620	Governance	
Ken Congdon	12.5	14.0	1,100	Compensation	16,041
Jim Cullen **	4.0	14.0	532	Compensation	10,343
Dean Dorn	11.5	6.5	1,650	Audit	12,532
Jerome Durst	12.0	12.0	883	Compensation	14,595
Timothy Evert	12.5	23.5	504	Compensation	19,222
			708	Governance	
Dave Kuhle **	4.0	2.5	386	Audit	6,547
Sandy Larson *	7.5	5.0	522	Compensation	5,890
Don Leix *	7.0	4.5	746	Governance	5,896
John Manske	12.5	9.0	668	Governance	14,466
Lori Meinholz	11.5	10.5	508	Compensation	13,178
			150	Governance	
Gregory Pollesch	12.5	10.0	1,985	Audit	13,973
Jim Rickert	12.5	12.0	1,976	Governance	15,080
Max Weiss	11.5	17.0	1,622	Audit	16,616
Michael Winker	12.5	38.5	2,344	Audit	24,958
			395	Compensation	
Total	168.0	232.0	$ 22,065		$ 230,010

* Elected in 2014

** Term expired in 2014

Senior Officers

The senior officers and the date each began his/her position include:

Name	Position	Business experience and employment during past five years
Diane M. Cole	Chief Executive Officer	Chief Executive Officer from September 2006 to present.
Gregory S. Rufsvold	Senior Vice President, Chief Financial Officer	Senior Vice President, Chief Financial Officer from July 1998 to present.
Marcia Barron	Vice President, Risk Management	Internal Audit Manager for Meriter Health Services, Inc. from January 2009 through December 2011; Vice President, Risk Management January 2012 to present.
Tom Blackbourn	Vice President, Human Resources	Manager in the Human Resources department of Badgerland from March 1999 to December 2009; Vice President, Human Resources January 2010 to present.
Laura Herschleb	Vice President, Marketplace Strategies	Cattle Show Manager for the World Dairy Expo from May 2008 to March 2013. Public Relations Manager for Badgerland Financial from March 2013 to September 2013. Vice President of Marketplace Strategies from October 2013 to present.
Terry A. McMahon	Senior Vice President, Chief Credit Officer	Assistant Chief Credit Officer from January 2008 to June 2011; Senior Vice President, Chief Credit Officer from July 2011 to present.
Bryan Stanek	Senior Vice President, Credit Delivery	Team Lead of Production-Agriculture at the Sparta Branch from January 2008 to October 2013; Senior Vice President, Credit Delivery from October 2013 to present.
Jerry Wiese	Vice President, Information Technology	Vice President of Information Technology from July 2007 to present. Beginning in September 2013, Mr. Wiese became a member of our senior management team.

Other business interests where a senior officer served as a director or senior officer include:

Marcia Barron is the Chairperson of the Board for Almar Farms, Inc. (a Tennessee land leasing corporation).

Laura Herschleb serves on the Board of the Wisconsin 4H Foundation.

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 of this Annual Report.

Travel, Subsistence, and Other Related Expenses

Directors and senior officers are reimbursed for reasonable travel, subsistence, and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting us at 1430 North Ridge Drive, Prairie du Sac, WI 53578, (877) 780-6410, or e-mail Greg.Rufsvold@badgerlandfinancial.com.

The total directors' travel, subsistence, and other related expenses were $44 thousand, $60 thousand, and $53 thousand in 2014, 2013, and 2012, 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, 2015 or at any time during 2014.

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 2014 were $74 thousand. The fees paid were for audit services.

Financial Statements

The "Report of Management", "Report on Internal Control Over Financial Reporting", "Report of Audit Committee", "Independent Auditor's Report", "Consolidated Financial Statements", and "Notes to Consolidated Financial Statements" are presented prior to this portion of the Annual Report.

Young, Beginning, and Small Farmers and Ranchers

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

Equal Employment Opportunity

We are an equal opportunity employer. It is our policy to provide equal employment opportunity to all persons regardless of race, color, religion, national origin, sex, age, disability, veteran status, genetic information, sexual orientation, creed, marital status, status with regard to public assistance, membership or activity involving a local human rights commission, or any other characteristic protected by law. We comply with all state and local equal employment opportunity regulations. We conduct all personnel decisions and processes relating to our employees and job applicants in an environment free of discrimination and harassment.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

Badgerland Financial, ACA

(Unaudited)

Definitions

The Farm Credit Administration (FCA) has defined Young Farmers as age 35 or younger as of the loan transaction date, Beginning Farmers as having 10 years or fewer farming experience as of the loan transaction date, and Small Farmers as having sustained annual gross sales from agricultural production of less than $250,000 annually.

Badgerland Demographics

The U.S. Department of Agriculture (USDA) publishes a Census of Agriculture every five years. The most recent census data was released in 2014 and was based on a survey conducted in 2012. USDA uses categories that are slightly different from the FCA definitions of Young, Beginning, and Small (YBS) Farmers. USDA defines a farm as “any place from which $1,000 or more of agricultural products were produced and sold, or normally would have been sold, during the census year.” There are 38,191 farms in the Badgerland chartered territory according to USDA, a reduction of more than 4,600 farms compared to the previous census.

The primary operator is younger than 35 years of age on 2,128 of the farms in the Badgerland territory (5% of the total). The census shows approximately 16% of the primary farm operators (5,930) in the Badgerland territory have been operating any farm for less than ten years. A large majority of the farms in the Badgerland territory (86%) had agricultural sales less than $250,000 in the USDA census. More than 10,000 farms (27%) had less than $1,000 in agricultural sales in 2012, and 21,000 farms (55%) had less than $10,000 in agricultural sales in 2012. There were 5,342 “Large” farms (greater than $250,000 of agricultural sales) in 2012, or 14% of all farms in the Badgerland territory.

Badgerland Financial Mission Statement

Young, Beginning, and Small Farmers are essential to future prosperity in rural America. Providing financially sound and constructive credit and financial services to YBS Farmers is a high priority for Badgerland Financial.

The Badgerland Board of Directors approved an YBS policy in 1999 and revised it most recently in July 2014. Badgerland believes YBS farmers are essential to the continued prosperity of Wisconsin agriculture.

Badgerland Financial Portfolio

The table below includes Badgerland YBS loans as of December 31, 2014. The percentages are adjusted for ProPartners Financial and capital market participations purchased.

Category	Number of Loans	Volume (millions)	Percent of Portfolio
Young	6,103	$707	14%
Beginning	6,955	758	15%
Small	14,856	899	18%

Targets and Goals

Badgerland has placed additional emphasis on YBS lending and expects increases in both the number and volume of YBS loans. Badgerland has adjusted YBS targets in future years, with a larger percentage increase for volume compared to number of loans. Average loan size is increasing because of higher input costs. Commodity prices have fluctuated over the past five years so someone who met the Small farmer criteria previously now may have over $250,000 of gross farm income while farming the same number of production units. Badgerland expects slower growth in Small farmer loans and volume as most farms generate more gross income in order to support a reasonable family living lifestyle. Beginning in 2010, Badgerland now collaborates with AgDirect to provide trade credit and leasing services in the Badgerland territory. Previous to participating with AgDirect, the YBS portfolio would have included loans for trade credit and leasing services. The chart on the following page includes capital markets participations purchased.

Young, Beginning & Small Farmer Volume (Dollars in millions)				
Category	**2014 Results**	**2015 Targets**	**2016 Targets**	**2017 Targets**
Young Farmer Loans	6,105	6,349	6,667	7,067
Young Farmer Volume	$708	$765	$841	$942
Beginning Farmer Loans	6,956	7,373	7,889	8,521
Beginning Farmer Volume	$758	$834	$934	$1,065
Small Farmer Loans	14,860	15,157	15,612	16,236
Small Farmer Volume	$901	$937	$993	$1,073

Calendar Year Loan Activity (Originations & Renewals) (Dollars in millions)				
Category	**2014 Results**	**2015 Targets**	**2016 Targets**	**2017 Targets**
Young Farmer Loans	2,910	3,050	3,141	3,267
Young Farmer Volume	$190	$272	$294	$324
Beginning Farmer Loans	3,310	3,578	3,864	4,250
Beginning Farmer Volume	$200	$277	$310	$354
Small Farmer Loans	7,050	7,229	7,301	7,447
Small Farmer Volume	$203	$257	$268	$284

YBS Program Features

The Beginning with Badgerland program was originated in 2008 to assist Young and Beginning (YB) farmers in the Badgerland territory. In August 2013, the Board approved changes to the initial program. In order to reach more YB farmers, the decision was made to change the overall structure of the Beginning with Badgerland grant program. Depending on the farmer's relationship with Badgerland, the grant program awards $250, $500 or $1,500 of grant funding to cover up to 100% of the cost of several different products and services. The grant money could cover services such as first year tax or farm accounting services from Badgerland Financial, farm accounting software, tuition fees for continuing producer education, registration fees for workshops, and FSA guarantee fees.

Badgerland Financial works with commercial banks, other Farm Credit entities, FSA, and WHEDA to provide credit to YBS farmers. Badgerland also coordinates with Wisconsin technical colleges, University of Wisconsin agriculture colleges, the cooperative extension service, the Wisconsin Department of Agriculture, other farm cooperatives, and other providers to make educational opportunities and leadership training available to YBS farmers.

Through the Beginning with Badgerland program YB farmers who qualify for the program are eligible to receive a free consultation with Badgerland tax and farm accounting staff members and a complementary review of their past three years of tax returns. Badgerland also offers risk management services (crop insurance, livestock insurance, life insurance, and disability insurance) to YBS farmers. Badgerland communicates with YB farmers through quarterly electronic YB farmer e-newsletters. Programs, meetings, and seminars on a variety of topics, including, but not limited to tax planning and crop insurance are offered wholly or in part by Badgerland staff and external providers and resources.

Badgerland contributes to many young farmer organizations and/or events, including 4-H, FFA, Wisconsin Farm Bureau YFA Conference, Wisconsin Jaycees Outstanding Young Farmer program, Wisconsin Jr. Holstein Association, and Ag Safety Days in several Badgerland counties and more. In 2015, Badgerland, the Wisconsin Farm Bureau, and UW Extension are co-sponsoring the fifth annual two day Wisconsin Ag Women's Summit.

Badgerland Financial offered twenty $1,000 scholarships to graduating high school seniors who are pursuing studies in an agriculture-related field at a short course, technical school, or university in 2014. The requirements and number of scholarships offered to graduating high school students will change in 2015. Badgerland Financial also offers five $1,000 scholarships to college students at both UW-River Falls and UW-Platteville pursuing an agricultural field ($10,000 total). Scholarships are awarded to students at UW-Madison and UW-Madison Short Course through endowed scholarship funds. All scholarship opportunities are widely publicized.

FUNDS HELD PROGRAM

Badgerland Financial, ACA

(Unaudited)

We offer a Funds Held Program ("Program") that provides for Borrowers to make uninsured advance payments on designated loans for the purpose of paying future maturities or other related charges.

Objective

We offer the Funds Held Program for the benefit and convenience of Borrowers who desire to make advance payments.

The following terms and conditions apply to Program accounts in connection with loans from us, subject to any rights that we or the Borrower may have as specified in loan documents governing designated loans.

Handling Advance Payments

- Advance payments received on a loan participating in the Program before the loan has been billed will normally be placed in the Program account as of the date received, to be applied against the next installment or other related charges on the installment due date. This is subject to any rights that we may have to apply such payments in a different manner as specified in loan documents governing designated loans.
- Advance payments received on a loan participating in the Program after the loan has been billed will be directly applied to the installment due on the loan or other related charges and will not earn interest.
- Funds received in excess of the installment amount or other related charges will be placed in the account.
- If a special prepayment of principal is desired, Borrowers must so specify at the time funds are paid in advance to us.
- When an installment becomes due, any accrued interest in the account and other funds in the account for the loan will be automatically applied toward payment of the installment or related charges on the due date. If the balance in the account is not adequate to pay the installment or related charges in full, Borrowers are expected to pay the difference by the installment due date. Any excess funds will remain in the account. Even when no installment or related charge is due, the Association may, at its option, apply funds from the account without notice to Borrowers as follows:
    - **Protective Advances**. If the Borrowers fail to pay when due other items as required pursuant to the mortgage, deed of trust, promissory note or any other loan documents, we may apply funds in the account to pay them.
    - **Account Ceiling.** If the account balance exceeds the unpaid balance of the loan, we may apply the funds in the account to repay the entire unpaid balance and will return any excess funds.
    - **Transfer of Security**. If the Borrowers sell, assign, or transfer any interest in the underlying collateral, we may apply the funds in the Account against the remaining loan balance.
    - **Deceased Borrowers**. If all Borrowers are deceased, we may apply the funds in the account to the remaining loan balance.

Interest on the Account

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

Borrower Withdrawals from Accounts

We may permit Borrowers to withdraw funds from the Account according to the Program, including payments of future installments and insurance or real estate taxes for the respective loan. In addition, with our approval, Borrowers may withdraw funds for other eligible loan purposes in lieu of increasing the borrower's loan.

Liquidation

Account balances are not insured. In the event of liquidation, all Borrowers having balances in these uninsured accounts shall be notified according to regulations then in effect. Applicable regulations now provide that the notice shall instruct that the funds ceased earning interest when the receivership was instituted and will be applied against the outstanding indebtedness of any loans of the Borrowers unless, within 15 days' notice, the Borrower provides direction to the Association to apply the funds according to existing loan documents.

Termination

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

Badgerland®
FINANCIAL

Cultivating rural life.™

1430 North Ridge Drive
Prairie du Sac, WI 53578
(800) 356-2197

badgerlandfinancial.com