Second Quarter 2017
Report to Shareholders

Farm Credit West

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Management's Discussion and Analysis

The following commentary is a review of the consolidated financial condition and results of operations of Farm Credit West, ACA and its subsidiaries (Farm Credit West). These comments should be read in conjunction with the unaudited second quarter 2017 consolidated financial statements and related notes included in this report, as well as the 2016 Annual Report to Shareholders. Shareholders may obtain copies of the Quarterly or Annual Report to Shareholders free of charge by calling our corporate headquarters at 916-780-1166, or by writing to Farm Credit West, 3755 Atherton Road, Rocklin, CA 95765, or by accessing our website at www.farmcreditwest.com.

The financial condition and results of operations of CoBank, ACB (CoBank), our funding bank, materially affect the risk associated with shareholder investments in Farm Credit West. Shareholders of Farm Credit West may obtain copies of CoBank's financial statements free of charge by calling 916-780-1166 or by writing to Farm Credit West, 3755 Atherton Road, CA, 95765, or by accessing CoBank's website at www.cobank.com.

Loan and Lease Volume

Loan and lease volume (net of sold loan participations) was $9.4 billion at June 30, 2017, a decrease of $62 million since December 31, 2016. The decrease was primarily due to a $157 million decrease in production and intermediate-term loan volume. This decrease was offset by an $89 million increase in real estate loan volume.

In addition to the $9.4 billion of loan and lease volume reported on our balance sheet at June 30, 2017, we serviced loans and leases totaling $2.5 billion for other institutions.

Portfolio Quality

As shown in the following table, our loan quality statistics declined during the first six months of 2017 due to an increase in substandard loan volume.

	June 30, 2017	December 31, 2016	December 31, 2015
Nonadversely classified	**95.9%**	96.3%	96.8%
Adversely classified	**4.1%**	3.7%	3.2%

Due to the strong U.S. dollar, a slowing global economy, and uncertainty in trade decisions, certain industries we finance will be negatively impacted. The tree nut and dairy industries are very dependent on an export market, these issues will potentially cause some stress to these borrowers.

Tree nuts, which include almonds, pistachios, walnuts and pecans represent the largest commodity concentration in the Association's loan portfolio. Although the price of tree nuts has dropped in the last few years, most customers remain profitable. This segment of our loan portfolio is expected to remain profitable in 2017.

During 2016, the United States and the European Union continued to increase milk production and build inventories which will deter any significant price increases in 2017. Feed costs have softened, but not to the extent that milk prices have. Continued volatility in domestic and global milk product markets could potentially lead to additional stress for our dairy customers.

After five years of drought in California, heavy precipitation, including record snowpack, during the 2016-2017 rain season resulted in the drought designation for California being lifted. However, heavy rainfall delayed or prevented planting in certain areas of our region and led to reduced loan demand. There continues to be long term concern regarding water availability and delivery.

The State of California's election results to legalize the production of marijuana may pose economic challenges for Farm Credit West. At the federal level, marijuana remains listed as a Schedule 1 controlled substance under the federal Controlled Substances Act. As a federally chartered entity, Farm Credit West must comply with federal law and, therefore, cannot be associated with marijuana production in any form. This has resulted in a reduction in loan volume as Farm Credit West exits loan relationships with customers who choose to become involved in marijuana cultivation.

Nonearning Assets

Nonearning assets (nonaccrual loan volume plus other property owned) totaled $131.6 million at June 30, 2017, a decrease of $10.9 million from December 31, 2016. The decrease was primarily due to year-to-date net repayments on nonaccrual loans that totaled $16.5 million, partially offset by transfers into nonaccrual of $6.7 million.

Allowance for Loan Losses

Our allowance for loan losses totaled $60.5 million (0.64% of loan principal and interest) at June 30, 2017, an increase of $4.9 million since December 31, 2016. The increase is due in part to increasing loss exposure as a result of risk rating downgrades and collateral revaluations on certain loans that resulted in a higher risk profile. The allowance is our best estimate of the amount of probable losses existing in, and inherent in, our loan portfolio as of the balance sheet date. We determine the allowance based on a regular evaluation of the loan portfolio, which generally considers recent historic charge-off experience adjusted for relevant factors. At June 30, 2017, net recoveries totaled $0.1 million, compared to net charge offs of $1.5 million during the same period in 2016. Additionally, provision expense of $4.8 million was recognized in the first six months of 2017 as compared to $8.3 million in the same period in 2016.

Credit Risk Management

To help manage and diversify credit risk, our credit risk management framework includes securitizing loans, obtaining credit guarantees, selling loan participation

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interests, limiting "hold" positions to amounts below legal lending limits, and prudently establishing individual lending limits based on asset quality. Our loan securitizations include the exchange of mortgage loans for Federal Agricultural Mortgage Corporation (Farmer Mac) guaranteed mortgage-backed securities, which are reported as investment securities on the accompanying consolidated balance sheet.

Net Income

Net income for the six months ended June 30, 2017 was $110.1 million with an annualized rate of return on average assets (ROA) of 2.23%. Net income for the first six months of 2016 was $109.9 million with an ROA of 2.35%. Following are the key changes in net income for the same period year-over-year:

- Provision for loan losses decreased by $3.5 million to $4.8 million during the first six months of 2017 compared to the same period last year.
- Net interest income increased by $0.2 million to $126.6 million during the first six months of 2017 compared to the same period last year. The increase was mainly due to $5.8 million in favorable volume variances, offset by $3.8 million less of nonaccrual interest income recognized and $1.9 million in unfavorable interest rate variances. Average earning assets volume for the first six months of 2017 was $9.4 billion which was $0.4 million higher than the average volume for the first six months of 2016.

Offsetting the positive net income variances noted above:

- Noninterest expense increased by $2.6 million, or 6%, to $43.6 million during the first six months of 2017 from $41.1 million during the first six months of 2016. The increase was primarily due to a $1.2 million increase in salaries and benefits, a $0.8 million increase in information technology services, and a $0.3 million increase in occupancy and equipment.
- Total noninterest income decreased by $0.8 million to $32.0 million during the first six months of 2017 compared to the same period last year. The decrease was primarily due to $2.1 million less in recoveries on loans charged off prior to the 2015 merger and a $0.9 million decrease in loan related fees; offset by an increase of $2.3 million in patronage from CoBank and other Farm Credit associations.

Preferred Stock

Our preferred stock program is a means of adding value to the customer relationship. This program enables customers to provide us with capital needed to support our growth and the customer is paid an attractive dividend on their investment. While 500 million shares are authorized for issuance, Farm Credit West maintained an internal issuance limit based on regulatory and capital management considerations of 400 million at June 30, 2017. Effective July 1, 2017, management increased the internal issuance limit from $400 million to $425 million. The preferred stock balance at June 30, 2017 was $400 million, an increase of $16 million from December 31, 2016. The per annum dividend rate is 2.00%. The dividend rate has not changed since November, 2011.

Future Payment Funds

At June 30, 2017, the customer-owned future payment funds increased by $47.2 million to $454.7 million compared to $407.5 million at December 31, 2016. The current economic cycle has enabled many of our customers to maintain high levels of liquid assets. Future payment funds represent voluntary advance conditional payments and are an interest-bearing funding source for the Association. We paid interest at an annual rate of 1.00% on these accounts during the first three months of 2017 and 1.15% during the second quarter of 2017. However, effective July 1, 2017, management increased the interest rate paid on future payment funds to 1.25%. Prior to these recent increases, the interest rate on future payment funds had not changed since February, 2009.

New Capital Regulations

On March 10, 2016, the Farm Credit Administration (FCA), our regulator, adopted final rules (the New Capital Regulations) relating to regulatory capital requirements for the Farm Credit System (System) banks and associations. The New Capital Regulations took effect January 1, 2017.

The New Capital Regulations, among other things, replace existing core surplus and total surplus requirements with common equity tier 1 (CET1), tier 1 and total capital risk-based capital ratio requirements. The New Capital Regulations also add a tier 1 leverage ratio for all System institutions, which replaces the existing net collateral ratio for System banks. In addition, the New Capital Regulations establish a capital conservation buffer and a leverage buffer; enhance the sensitivity of risk weightings; and, for System banks only, require additional public disclosures.

The New Capital Regulations set the following minimum risk-based requirements:

- A CET1 capital ratio of 4.5 percent;
- A tier 1 capital ratio (CET1 capital plus additional tier 1 capital) of 6 percent; and
- A total capital ratio (tier 1 plus tier 2) of 8 percent.

The New Capital Regulations also set a minimum tier 1 leverage ratio (tier 1 capital divided by total assets) of 4 percent, of which at least 1.5 percent must consist of unallocated retained earnings (URE) and URE equivalents, which are nonqualified allocated equities with certain characteristics of URE.

The New Capital Regulations establish a capital cushion through a capital conservation buffer of 2.5 percent above the

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risk based CET1, tier 1 and total capital requirements. In addition, the New Capital Regulations establish a leverage capital cushion through a leverage buffer of 1 percent above the tier 1 leverage ratio requirement. If capital ratios fall below the regulatory minimum plus the buffer, capital distributions (dividend payments and cash patronage payments) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. The New Capital Regulations establish a three-year phase-in of the capital conservation buffer beginning January 1, 2017. There is no phase-in of the leverage buffer.

Amounts of Capital and Capital Adequacy

In the past six months, total members' equity increased $122.9 million to $2.1 billion primarily due to net income of $110.1 million and an increase in preferred stock of $16.5 million. These increases were partially offset by preferred stock dividends of $3.8 million.

As shown in the following table, Farm Credit West has substantially exceeded each regulatory minimum capital requirement for all periods presented although ratios have declined from previous years due to strong loan growth.

	For the quarter ended			
Type of capital as % of risk-weighted assets	**June 30, 2017**	Dec. 31, 2016	Dec. 31, 2015	Regulatory Minimum including Buffer
Common Equity Tier 1	**12.71%**			7.00%
Tier 1	**12.71%**			8.50%
Total regulatory capital	**13.26%**			10.50%
Tier 1 leverage (1)	**13.71%**			5.00%
Minimum URE leverage (1)	**15.37%**			1.50%
Permanent capital (2)	**16.63%**	17.55%	17.54%	7.00%
Total surplus		13.49%	13.54%	7.00%
Core surplus		13.49%	13.50%	3.50%

(1) Ratio is a % of total assets.
(2) As of the first quarter of 2017, the calculation for risk-weighted assets for permanent capital was adjusted to align with the new capital regulations, impacting the comparability to prior period percentages.

Forward-Looking Information

This discussion contains forward looking statements. These statements are not guarantees of future performance as future operations involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," or "will" are intended to identify forward-looking statements. These statements are based on management's assumptions and analyses made in light of experience and other historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. Readers are cautioned not to place undue reliance on these forward-looking statements. We will not update any forward-looking statements to reflect events or circumstances arising after they are made.

Certification

The undersigned certify that this report has been prepared under the oversight of the Farm Credit West Audit Committee, that it is presented in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief, and we have reviewed this report.

Joseph C. Airoso
Chairman of the Board of Directors

Mark D. Littlefield
President and Chief Executive Officer

Jean L. Koenck
Executive Vice President – Chief Financial Officer

August 4, 2017

Farm Credit West, ACA

Consolidated Balance Sheet

(in thousands)		**June 30, 2017** **(unaudited)**		December 31, 2016
Assets				
Loans and leases	**$**	**9,407,799**	$	9,469,588
Less: allowance for loan and lease losses		**(60,500)**		(55,600)
Net loans and leases		**9,347,299**		9,413,988
Cash		**—**		11,968
Accrued interest receivable		**89,104**		67,942
Investment securities — available-for-sale		**76,990**		86,882
Investment securities — held-to-maturity		**24,402**		27,830
Investment in CoBank		**306,058**		303,675
Other property owned		**2,429**		3,483
Premises and equipment, net		**39,973**		36,578
Other assets		**66,623**		88,851
Total assets	**$**	**9,952,878**	$	10,041,197
Liabilities				
Note payable to CoBank	**$**	**7,371,143**	$	7,544,838
Future payment funds		**454,732**		407,470
Accrued interest payable		**9,006**		7,573
Patronage distribution payable		**—**		79,500
Unfunded disbursements		**4,678**		—
Other liabilities		**54,870**		66,302
Total liabilities		**7,894,429**		8,105,683
Members' Equity				
Preferred stock		**400,657**		384,119
Capital stock and participation certificates		**5,171**		5,200
Unallocated retained earnings		**1,522,516**		1,416,252
Additional Paid-in-Capital		**133,312**		133,312
Accumulated other comprehensive loss		**(3,207)**		(3,369)
Total members' equity		**2,058,449**		1,935,514
Total liabilities and members' equity	**$**	**9,952,878**	$	10,041,197

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

Farm Credit West, ACA

Consolidated Statement of Comprehensive Income

(unaudited and in thousands)	For the three months ended June 30 **2017**	For the three months ended June 30 2016	For the six months ended June 30 **2017**	For the six months ended June 30 2016
Interest Income				
Loans and leases	**$ 94,203**	$ 83,035	**$ 183,739**	$ 167,535
Investment securities	**1,089**	1,217	**2,187**	2,493
Total interest income	**95,292**	84,252	**185,926**	170,028
Interest Expense				
Note payable to CoBank	**30,641**	21,024	**57,102**	41,262
Future payment funds	**1,179**	1,093	**2,209**	2,320
Total interest expense	**31,820**	22,117	**59,311**	43,582
Net interest income	**63,472**	62,135	**126,615**	126,446
Provision for loan losses	**(3,775)**	(4,792)	**(4,802)**	(8,282)
Net interest income after provision for loan losses	**59,697**	57,343	**121,813**	118,164
Noninterest Income				
Patronage income	**11,339**	10,614	**25,827**	23,471
Loan and other fees	**2,095**	2,912	**4,214**	4,926
Loan servicing income	**408**	566	**837**	1,148
Other noninterest income	**607**	1,859	**1,100**	3,282
Total noninterest income	**14,449**	15,951	**31,978**	32,827
Noninterest Expense				
Salaries and employee benefits	**11,981**	11,516	**24,352**	23,186
Information technology services	**2,521**	2,100	**4,908**	4,113
Occupancy and equipment	**1,138**	923	**2,394**	2,122
Farm Credit Insurance Fund premiums	**2,638**	2,682	**5,301**	5,371
FCA Supervisory and examination expense	**574**	515	**1,148**	1,031
Other operating expense	**2,587**	2,370	**5,525**	5,382
(Gain) Loss on other property owned, net	**(14)**	(215)	**(16)**	(144)
Total noninterest expense	**21,425**	19,891	**43,612**	41,061
Income before income taxes	**52,721**	53,403	**110,179**	109,930
Benefit from (Provision for) income taxes	**30**	43	**(70)**	(80)
Net income	**$ 52,751**	$ 53,446	**$ 110,109**	$ 109,850
Other Comprehensive Income				
Change in unrealized gain on investment securities - available-for-sale	**(238)**	(355)	**(322)**	(271)
Change in pension restoration plan unrecognized actuarial loss	**242**	262	**484**	524
Total comprehensive income	**$ 52,755**	$ 53,353	**$ 110,271**	$ 110,103

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

Farm Credit West, ACA

Consolidated Statement of Changes in Members' Equity

(unaudited and in thousands)	Preferred Stock	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Total Members' Equity
Balance at December 31, 2015	$ 350,595	$ 4,998	$ 1,297,179	$ 133,312	$ (3,281)	$ 1,782,803
Comprehensive income			109,850		253	110,103
Preferred stock issued	52,191					52,191
Preferred stock retired	(51,039)					(51,039)
Capital stock and participation certificates issued		234				234
Capital stock and participation certificates retired		(172)				(172)
Preferred stock dividends declared and paid	3,514		(3,514)			—
Balance at June 30, 2016	$ 355,261	$ 5,060	$ 1,403,515	$ 133,312	$ (3,028)	$ 1,894,120
Balance at December 31, 2016	**$ 384,119**	**$ 5,200**	**$ 1,416,252**	**$ 133,312**	**$ (3,369)**	**$ 1,935,514**
Comprehensive income			**110,109**		**162**	**110,271**
Preferred stock issued	**84,115**					**84,115**
Preferred stock retired	**(71,422)**					**(71,422)**
Capital stock and participation certificates issued		**166**				**166**
Capital stock and participation certificates retired		**(195)**				**(195)**
Preferred stock dividends declared and paid	**3,845**		**(3,845)**			**—**
Balance at June 30, 2017	**$ 400,657**	**$ 5,171**	**$ 1,522,516**	**$ 133,312**	**$ (3,207)**	**$ 2,058,449**

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

Notes to Consolidated Financial Statements

Note 1 – Organization and Operations

A description of the organization and operations of Farm Credit West, ACA and its subsidiaries (Farm Credit West), significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2016, are contained in the 2016 Farm Credit West Annual Report to Shareholders. These unaudited second quarter 2017 financial statements should be read in conjunction with the 2016 Annual Report to Shareholders.

The accompanying financial statements contain all adjustments necessary for a fair presentation of the Association's interim financial condition and results of operations. Farm Credit West's accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry.

In March 2017, the Financial Accounting Standards Board (FASB) issued guidance entitled "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost." The guidance requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance is not expected to impact the Association's financial condition but could change the classification of certain items in the results of operations.

In August 2016, the FASB issued guidance entitled "Classification of Certain Cash Receipts and Cash Payments." The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance is not expected to impact the Association's financial condition or its results of operations but could change the classification of certain items in the statement of cash flows.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers, this guidance becomes effective for interim and annual periods beginning after December 15, 2020, with early application permitted. The Association is evaluating the impact of adoption on its financial condition and results of operations.

In February 2016, the FASB issued guidance entitled "Leases." The guidance requires the recognition by lessees of lease assets and lease liabilities on the balance sheet for the rights and obligations created by those leases. Leases with lease terms of more than 12 months are impacted by this guidance. This guidance becomes effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The Association is evaluating the impact of adoption on its financial condition and results of operations.

In January 2016, the FASB issued guidance entitled "Recognition and Measurement of Financial Assets and Liabilities." The guidance affects, among other things, the presentation and disclosure requirements for financial instruments. For public entities, the guidance eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments carried at amortized cost. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The Association early adopted this guidance in 2015 and the adoption of this guidance did not impact the Association's financial condition or its results of operations.

In May 2014, the FASB issued guidance entitled, "Revenue from Contracts with Customers." The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of our contracts would be excluded from the scope of this new guidance. In August 2015, the FASB issued an update that defers this guidance by one year, which results in the new revenue standard becoming effective for interim and annual reporting periods beginning after December 15, 2017. The Association is in the process of reviewing contracts to determine the effect, if any, on the Association's financial condition or its results of operations.

Notes to Consolidated Financial Statements

Note 2 – Loans and Allowance for Loan Losses

A summary of loan principal outstanding follows.

(in thousands)	**June 30, 2017**	December 31, 2016
Real estate mortgage loans	**$ 5,679,445**	$ 5,590,400
Production and intermediate-term loans	**1,666,538**	1,823,233
Agribusiness loans	**1,598,163**	1,589,834
Direct financing leases	**209,418**	219,904
Rural infrastructure loans	**254,135**	246,116
Rural residential loans	**100**	101
Total loans	**$ 9,407,799**	$ 9,469,588

At June 30, 2017, Farm Credit West had $3.1 billion in unused commitments to extend credit and $61.6 million in letters of credit.

An analysis of changes in the allowance for loan losses is shown below.

For the six months ended June 30, (in thousands)	**2017**	2016
Balance at beginning of year	**$ 55,600**	$ 45,200
Provision for loan losses	**4,802**	8,282
Charge-offs	**(14)**	(1,592)
Recoveries	**112**	110
Balance at June 30,	**$ 60,500**	$ 52,000

Farm Credit West purchases and sells loan participations with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. The following tables present information regarding participations purchased and sold. Participations purchased volume includes loan syndications where Farm Credit West is a lending member.

	Participations Purchased		
June 30, 2017 (in thousands)	Farm Credit Institutions	Non-Farm Credit Institutions	Total
Real estate mortgage	**$ 453,085**	**$ 5,986**	**$ 459,071**
Production and intermediate-term	**—**	**6,578**	**6,578**
Agribusiness	**742,422**	**113,854**	**856,276**
Rural infrastructure	**254,135**	**—**	**254,135**
Total participations purchased	**$ 1,449,642**	**$ 126,418**	**$ 1,576,060**

	Participations Sold		
June 30, 2017 (in thousands)	Farm Credit Institutions	Non-Farm Credit Institutions	Total
Real estate mortgage	**$ 1,246,115**	**$ 2,098**	**$ 1,248,213**
Production and intermediate-term	**519,887**	**—**	**519,887**
Agribusiness	**201,509**	**—**	**201,509**
Direct financing leases	**211,137**	**—**	**211,137**
Total participations sold	**$ 2,178,648**	**$ 2,098**	**$ 2,180,746**

The following table presents allowance information concerning impaired loans. Impaired loans include nonaccrual loans, accruing restructured loans and loans past due 90 days or more and still accruing interest.

(in thousands)	**June 30, 2017**	December 31, 2016
Impaired loans with related allowance	**$ 63,107**	$ 60,340
Impaired loans with no related allowance	**83,345**	93,532
Total impaired loans	**$ 146,452**	$ 153,872
Allowance on impaired loans	**$ 18,264**	$ 17,580

The following table presents average impaired loans and interest income recognized on impaired loans.

For the six months ended June 30, (in thousands)	**2017**	2016
Average impaired loans	**$ 147,107**	$ 133,543
Interest income recognized on impaired loans	**$ 1,344**	$ 5,212

A restructuring of a loan constitutes a troubled debt restructuring (TDR) if, for economic or legal reasons related to the debtor's financial difficulties, the Association grants a concession to the debtor that it would not otherwise consider. During the first six months of 2017, one loan restructuring was deemed a TDR. The pre and post modification outstanding recorded investment on this processing and marketing TDR was $0.1 million.

There were no TDRs that occurred within the previous 12 months for which there was a subsequent payment default during the six months ended June 30, 2017 or at December 31, 2016.

TDRs outstanding at June 30, 2017 totaled $17.3 million, of which $4.2 million were in nonaccrual status. At

Notes to Consolidated Financial Statements

December 31, 2016, TDRs outstanding totaled $19.4 million, of which $4.8 million were in nonaccrual status.

Additional commitments to lend to borrowers whose loans have been modified in a TDR were less than $0.1 million at June 30, 2017 and at December 31, 2016.

The following tables provide an age analysis of past due loans including interest.

Principal and interest June 30, 2017 (in thousands)	Not Past Due or Less Than 30 Days Past Due	Total Past Due	Total Loans
Real estate mortgage	**$ 5,689,634**	**$ 45,826**	**$ 5,735,460**
Production and intermediate-term	**1,653,475**	**35,138**	**1,688,613**
Agribusiness	**1,598,630**	**8,708**	**1,607,338**
Direct financing leases	**209,394**	**24**	**209,418**
Rural infrastructure	**254,509**	**—**	**254,509**
Rural residential real estate	**100**	**—**	**100**
Total loans	**$ 9,405,742**	**$ 89,696**	**$ 9,495,438**

Principal and interest June 30, 2017 (in thousands)	30-89 Days Past Due	90 Days or More Past Due	Total Past Due
Real estate mortgage	**$ 4,698**	**$ 41,128**	**$ 45,826**
Production and intermediate-term	**15,747**	**19,391**	**35,138**
Agribusiness	**2,026**	**6,682**	**8,708**
Direct financing leases	**9**	**15**	**24**
Total loans	**$ 22,480**	**$ 67,216**	**$ 89,696**

Principal and interest December 31, 2016 (in thousands)	Not Past Due or Less Than 30 Days Past Due	Total Past Due	Total Loans
Real estate mortgage	$ 5,586,735	$ 50,069	$ 5,636,804
Production and intermediate-term	1,812,493	21,955	1,834,448
Agribusiness	1,588,214	9,156	1,597,370
Direct financing leases	216,690	3,214	219,904
Rural infrastructure	246,420	—	246,420
Rural residential real estate	101	—	101
Total loans	$ 9,450,653	$ 84,394	$ 9,535,047

Principal and interest December 31, 2016 (in thousands)	30-89 Days Past Due	90 Days or More Past Due	Total Past Due
Real estate mortgage	$ 8,222	$ 41,847	$ 50,069
Production and intermediate-term	3,519	18,436	21,955
Agribusiness	1,881	7,275	9,156
Direct financing leases	3,180	34	3,214
Total loans	$ 16,802	$ 67,592	$ 84,394

Note 3 – Investment Securities

The following is a summary of Farmer Mac agricultural mortgage-backed securities held by Farm Credit West.

	Mortgage-Backed Securities — Available-for-Sale				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
June 30, 2017	**$ 75,708**	**$ 1,282**	**$ —**	**$ 76,990**	**4.36%**
December 31, 2016	85,278	1,604	—	86,882	4.07%

	Mortgage-Backed Securities — Held-to-Maturity				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
June 30, 2017	**$ 24,402**	**$ 425**	**$ —**	**$ 24,827**	**4.14%**
December 31, 2016	27,830	535	—	28,365	3.81%

Substantially all mortgage-backed securities have contractual maturities in excess of ten years. However, expected and actual maturities for mortgage-backed securities will typically be shorter than contractual maturity due to scheduled and unscheduled payment activity affecting the loans underlying such securities.

None of Farm Credit West's investment securities are in an unrealized loss position at June 30, 2017. Accordingly, no investment security impairment has been recorded.

Note 4 – Members' Equity

Preferred Stock

Farm Credit West is authorized to issue 500 million shares of class H preferred stock but had an internal issuance limit set at 400 million shares at June 30, 2017. Effective July 1, 2017, management increased the internal issuance limit from $400 million to $425 million. Purchases may be made by individuals or entities that hold, at the time of their purchase of preferred stock, legal title to, or beneficial interest in, shares of any class of Farm Credit West common stock or participation certificates. Preferred stock is unprotected and "at-risk." Retirement of preferred stock upon the holder's request is at the sole discretion of the Board, or by Farm Credit West's president when consistent with authority delegated by the Board.

The preferred stock dividend rate is a per annum rate which is subject to change each calendar month. For any particular month, the dividend rate shall not exceed 8% nor be less than the federal funds rate. The preferred stock dividend rate was 2.00% during the six months of 2017 and the average preferred stock dividend rate was 2.00% for the full year in 2016.

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Common Stock

Farm Credit West issues the following classes of common stock: class C common stock, class F participation certificates, and under certain circumstances, nonvoting class A common stock. Such equities are unprotected and "at-risk." At-risk equities can only be retired: 1) with the express approval of the Farm Credit West Board of Directors, and only if the capitalization requirements described below have been met; or 2) by Farm Credit West's president when consistent with authority delegated by the Board. At June 30, 2017, the required common investment was $1 thousand per voting stockholder. Customers with multiple loans satisfy their equity ownership requirement with a single $1 thousand cash investment.

At June 30, 2017, Farm Credit West had 915,304 shares of class C capital stock at a par value of $5 per share compared to 923,218 shares at December 31, 2016. At June 30, 2017 117,867 shares of class F capital stock were outstanding at a part value of $5 per share as compared to 115,669 at December 31, 2016.

Capital Adequacy

On March 10, 2016, the FCA Board approved a final rule to modify the regulatory capital requirements for System Banks and Associations. The final rule replaces existing core surplus and total surplus requirements with common equity tier 1, tier 1 and total capital risk-based capital ratio requirements. The final rule also replaces the existing net collateral ratio for banks with a tier 1 leverage ratio that will be required for both Banks and associations. The permanent capital ratio continues to remain in effect with the final rule. The effective date of the new capital requirements was January 1, 2017.

During the first quarter of 2017, and in accordance with the effective date of the new capital requirements, Farm Credit West proceeded to replace the total and core surplus ratios with the new regulatory required ratios.

As shown in the following table, Farm Credit West has substantially exceeded each regulatory minimum capital requirement for all periods presented although ratios have declined from previous years due to strong loan growth.

	For the quarter ended			
Type of capital as % of risk-weighted assets	**June 30, 2017**	Dec. 31, 2016	Dec. 31, 2015	Regulatory Minimum including Buffer
Common Equity Tier 1	**12.71%**			7.00%
Tier 1	**12.71%**			8.50%
Total regulatory capital	**13.26%**			10.50%
Tier 1 leverage (1)	**13.71%**			5.00%
Minimum URE leverage (1)	**15.37%**			1.50%
Permanent capital (2)	**16.63%**	17.55%	17.54%	7.00%
Total surplus		13.49%	13.54%	7.00%
Core surplus		13.49%	13.50%	3.50%

(1) Ratio is a % of total assets.
(2) As of the first quarter of 2017, the calculation for risk-weighted assets for permanent capital was adjusted to align with the new capital regulations, impacting the comparability to prior period percentages.

Accumulated Other Comprehensive Loss

The following tables present the activity in the accumulated other comprehensive loss, net of tax, by component.

(in thousands)	Unrealized Gains on Investments Available for Sale	Pension and Other Plans	Accumulated Other Comprehensive Gain (Loss)
Balance at December 31, 2016	**$ 1,604**	**$ (4,973)**	**$ (3,369)**
Other comprehensive income (loss) before reclassifications	**(322)**	**484**	**162**
Net current period comprehensive income	**(322)**	**484**	**162**
Balance at June 30, 2017	**$ 1,282**	**$ (4,489)**	**$ (3,207)**

(in thousands)	Unrealized Gains on Investments Available for Sale	Pension and Other Plans	Accumulated Other Comprehensive Gain (Loss)
Balance at December 31, 2015	$ 2,292	$ (5,573)	$ (3,281)
Other comprehensive income (loss) before reclassifications	(271)	524	253
Net current period comprehensive income	(271)	524	253
Balance at June 30, 2016	$ 2,021	$ (5,049)	$ (3,028)

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Note 5 – Fair Value Measurements

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. For additional information, see Note 2 to the 2016 Annual Report to Shareholders – Summary of Significant Accounting Policies.

Assets measured at fair value on a recurring basis are summarized below. There were no other assets and no liabilities measured at fair value on a recurring basis for the periods presented.

	Fair Value Measurement Using			Total
(in thousands)	Level 1	Level 2	Level 3	Fair Value
Assets:				
Assets held in trusts for nonqualified benefit plans				
June 30, 2017	**$ 1,447**			**$ 1,447**
December 31, 2016	$ 3,239			$ 3,239
Investment securities – available-for-sale				
June 30, 2017			**$ 76,990**	**$ 76,990**
December 31, 2016			$ 86,882	$ 86,882

The tables below represent a reconciliation of Farm Credit West's investment securities – available-for-sale measured at fair value on a recurring basis.

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)	
	Investment securities – available-for-sale	
(in thousands)	2017	2016
Balance at March 31,	**$ 82,149**	$ 97,010
Unrealized (losses) gains included in other comprehensive (loss) income	**(238)**	(355)
Settlements	**(4,921)**	(4,235)
Balance at June 30,	**$ 76,990**	$ 92,420

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)	
	Investment securities – available-for-sale	
(in thousands)	2017	2016
Balance at beginning of year	**$ 86,882**	$ 103,292
Unrealized (losses) gains included in other comprehensive (loss) income	**(322)**	(271)
Settlements	**(9,570)**	(10,601)
Balance at June 30,	**$ 76,990**	$ 92,420

Assets measured at fair value on a non-recurring basis are summarized in the following table. There were no other assets and no liabilities measured at fair value on a non-recurring basis for the periods presented.

(in thousands)	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)	Total Fair Value	Total (Losses)/Gains Incurred During the Year
Assets:			
Nonaccrual loans, net of related specific allowance			
June 30, 2017	**$ 44,843**	**$ 44,843**	**$ (681)**
December 31, 2016	42,759	42,759	(11,720)
Other property owned, appraised value			
June 30, 2017	**$ 3,225**	**$ 3,225**	**$ 11**
December 31, 2016	4,280	4,280	218

Valuation Techniques

As more fully discussed in Note 2 to the 2016 Annual Report to Shareholders, the FASB established a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represents a brief summary of the valuation technique used by Farm Credit West for assets and liabilities subject to fair value measurement. For a more complete description, see Notes to the 2016 Annual Report to Shareholders.

Assets held in Trust: Assets held in trust for nonqualified benefit plans are related to supplemental retirement plans and are generally classified under Level 1 and 2. These trust assets held by Farm Credit West include cash, money market funds and mutual funds that have quoted market prices in an active market and are therefore classified within Level 1.

Investment Securities: Where quoted prices are available in an active market, available-for-sale securities would be classified as Level 1. If quoted prices are not available in an active market, the fair value of securities are estimated using pricing models, quoted prices for similar securities received

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from pricing services or discounted cash flows. Generally, these securities would be classified as Level 2. This would include certain mortgage-backed and asset-backed securities. Where there is limited activity or less transparency around inputs to the valuation, the securities are classified as Level 3. Securities classified as Level 3 include Farm Credit West's mortgage-backed securities issued by the Federal Agricultural Mortgage Corporation.

Farm Credit West's held-to-maturity investment securities are carried at amortized cost and, as such, are not included here.

Loans Evaluated for Impairment: For certain loans evaluated for impairment under FASB impairment guidance, the fair value was based on the underlying real estate collateral for collateral-dependent loans. At June 30, 2017, substantially all of the Association's impaired loans that are recorded at fair value are secured by real estate. The fair value measurement process uses appraisals performed by independent licensed appraisers and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, certain of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established and loans are reported at fair value.

Other Property Owned: The process for measuring the fair value of other property owned involves the use of appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

Note 6 – Income Taxes

Farm Credit West, ACA conducts its business activities through its wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through the wholly-owned Farm Credit West, FLCA and Southwest, FLCA subsidiaries which are exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through the wholly-owned Farm Credit West, PCA subsidiary and Southwest, PCA subsidiary. As with the PCA subsidiaries, the Farm Credit West, ACA and Southwest, ACA holding companies are subject to income tax. Farm Credit West operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, Farm Credit West can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock, or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends.

Note 7 – Subsequent Events

The Association has evaluated subsequent events through August 4, 2017, which is the date the financial statements were issued. No subsequent event items met the criteria for disclosure.