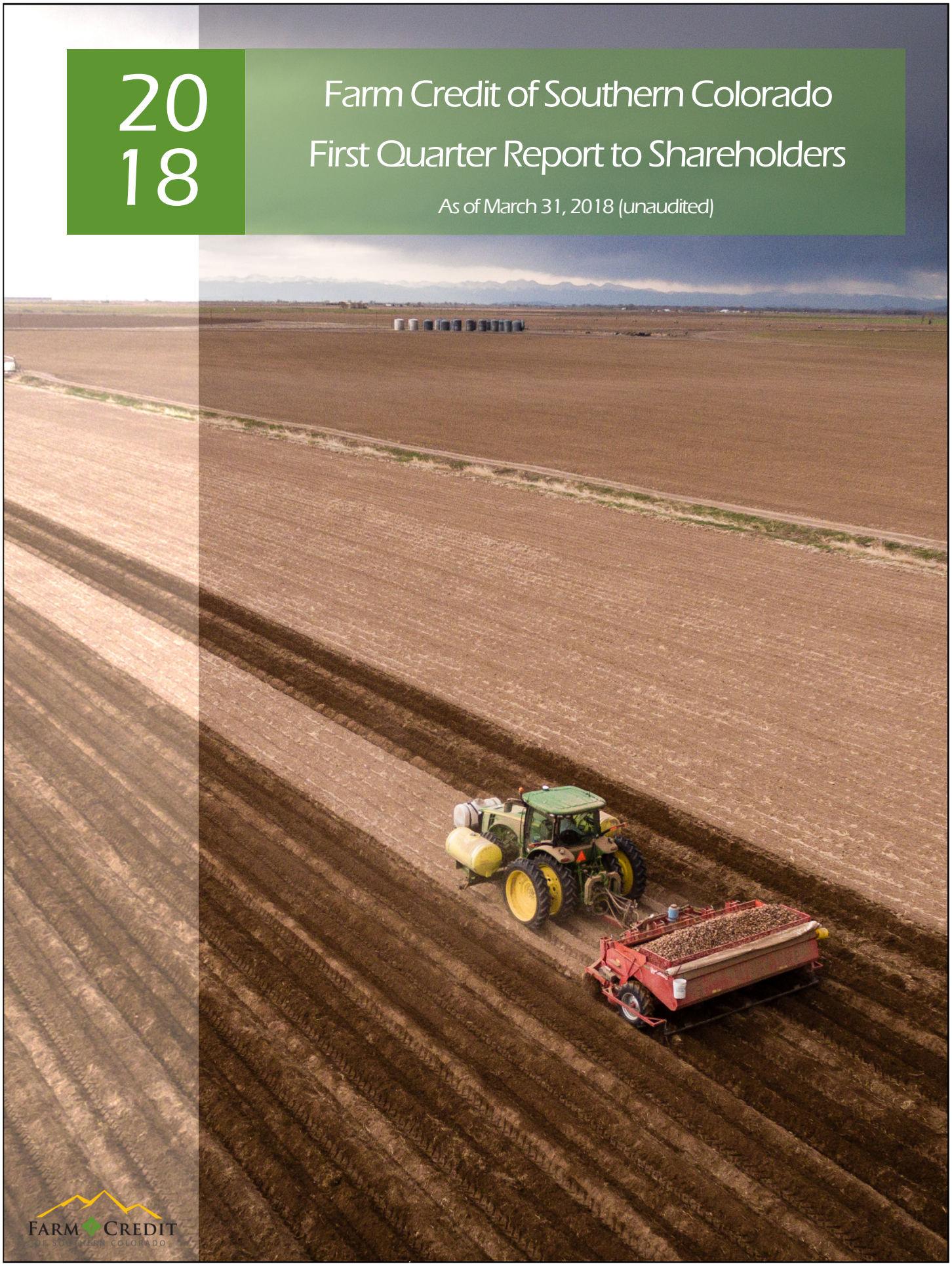
2018

Farm Credit of Southern Colorado
First Quarter Report to Shareholders

As of March 31, 2018 (unaudited)



FARM CREDIT
OF SOUTHERN COLORADO

NOTICE TO STOCKHOLDERS

The shareholders' investment in Farm Credit of Southern Colorado, ACA is materially affected by the financial condition and results of operations of CoBank, ACB (CoBank). The 2017 CoBank Annual Report to Shareholders, and the CoBank quarterly shareholders' reports are available free of charge by accessing CoBank's website, www.cobank.com, or may be obtained at no charge by contacting us at:

Farm Credit of Southern Colorado, ACA

5110 Edison Avenue, PO Box 75640
Colorado Springs, Colorado 80970-5640
Phone Number: 800-815-8559

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Unaudited)

The following discussion summarizes the financial position and results of operations of Farm Credit of Southern Colorado, ACA, for the three months ended March 31, 2018, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2017 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

The Federal Reserve raised the Fed Funds Rate 75 basis points in 2017. In March, the Fed again raised rates another 25 basis points, with a target range for the Fed Funds rate of 1.50% – 1.75%. Officials said the Fed will make two more increases, and possibly three, this year, and three increases in 2019. These planned moves are in reaction to the expectation of faster economic growth, higher inflation, and lower unemployment in coming years.

National unemployment remains low, monthly job creation remains strong, and inflation is considered to be under control. U.S. economic growth has exceeded 3% for two consecutive quarters. The biggest reason is an increase in U.S. consumer spending. Consumer confidence and the unemployment rate are at their best levels since 2000. This is primarily a result of last year's multi-trillion dollar gain in household net worth from stock market gains and double-digit increases in home prices; these events have caused a feeling of increased wealth among U.S. consumers. If consumers continue to spend because they feel wealthier, businesses will ultimately exhaust their current capacity and invest in capital purchases and expansion, further fueling economic growth.

In rural America, conditions are considerably more challenging. Farmers are bracing for yet another year of belt tightening as commodity surpluses around the world continue to depress prices and exhaust farmers' working capital. Farm debt levels will continue to climb as farmers struggle to cover relatively high production costs amid anemic commodity prices. A huge question mark for industries financed by the Association is the farm bill, which is currently up for renewal in what will likely be a highly divisive election season.

Low grain prices are expected to remain under pressure through 2018 as supplies have outpaced record, or near-record, demand. As a result, the grain, farm supply, and biofuels sectors face a very turbulent year in 2018. Huge global crop supplies, low commodity prices, and rising interest rates will constrain farmers' financial statements, and likely force consolidation across the supply chain. Export growth will be critical to reducing surpluses as domestic use offers limited upside for demand growth, despite the current economic expansion in the U.S. Unfortunately, exporters face a wall of abundant grains and oilseeds held by competitors around the globe. The export markets also face increased headwinds as the turmoil in the U.S. trade policy continues.

The same abundant grain supplies that have been harmful to crop farmers have boosted profitability, and spurred expansion, in the U.S. dairy, livestock, and poultry sectors. Beef production in the U.S. is on the rise, and the export markets have never been more important. U.S. beef exports in 2017 exceeded industry expectations, and the momentum is expected to continue through 2018. However, the potential for trade agreement re-shuffling poses considerable risk for U.S. beef exports. The top five destinations for U.S. beef account for 83% of exports. Four of these five countries are at risk of trade disruption related to TPP, NAFTA, and KORUS. Global demand for beef is on the rise, and the U.S. beef industry is well positioned, at the present, to take advantage of this. Asia's demand for high quality grain-fed beef is expected to grow, and an expected weaker U.S. dollar (compared to the last two years), will help boost exports in the near-term. However, the result of future trade pacts could have a significant impact on beef trade.

U.S. agriculture is out to protect its very valuable turf in regards to free trade agreements. Discussions are underway to revise or abandon some of these agreements, most notably the North American Free Trade Agreement (NAFTA). Roughly 20% of U.S. agricultural goods are exported, valued at $135 billion, with NAFTA partners; Canada and Mexico, accounting for 32% of these exports. According to CoBank's Knowledge Exchange Division's January 2018 report, "The hard deadline for finalizing a deal is July 2018, when Mexicans go to the polls to elect their next president. The leading contender . . . is a nationalist . . . If he were to become president, he would be unlikely to make the type of concessions the Trump administration is pressing for." If the three nations can't come to an agreement, the pact would be cancelled. Wide-ranging tariffs would likely be imposed on U.S. goods. Canada and Mexico have already signed several free trade agreements with the EU, and would likely pursue additional agreements with other U.S. competitors.

The Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP) is a reboot of the TPP, comprising all of the original members, with the exception of the U.S. The CPTPP was signed on March 9, 2018 by 11 countries. This agreement covers approximately 13% of global GDP, and around 500 million people. U.S.

exporters are likely to lose some market share in Asia now that the TPP is moving forward without the U.S.'s participation.

LOAN PORTFOLIO

Loans outstanding at March 31, 2018, totaled $977.8 million, a decrease of $4.2 million, or 0.42%, from loans of $982.0 million at December 31, 2017. The decrease was primarily due to annual paydowns and payoffs out pacing new core loan activity partially offset by an increase in our capital markets portfolio.

OTHER PROPERTY OWNED

Other property owned is real or personal property that has been acquired through foreclosure, deed in lieu of foreclosure or other means. We had other property owned of $2.0 million at March 31, 2018, compared with $2.4 million at December 31, 2017. The decrease was from the sale of one of the three properties held.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2018, was $4.4 million, an increase of $1.6 million, or 56.21%, from the same period ended one year ago. The increase was a result of higher net interest income, credit loss reversal and higher noninterest income partially offset by higher noninterest expense.

Net interest income for the three months ended March 31, 2018, was $6.8 million, an increase of $259 thousand, or 3.99%, compared with March 31, 2017. Net interest income increased as a result of higher average loan volume and higher return on our capital partially offset by lower spread between borrower rates and our cost of funds particularly on variable rate loans.

The credit loss reversal for the three months ended March 31, 2018, was $183 thousand, compared to a $613 thousand provision for credit losses for the same period ended one year ago. The credit loss reversal was a result of a lower average loss given default profile of the association.

Noninterest income increased $677 thousand during the first three months of 2018 compared with the first three months in 2017 primarily due to a refund of $678 thousand from Farm Credit Insurance Fund distribution (FCSIC) partially offset by a decrease in mineral income. The FCSIC insurance distribution is our portion of excess funds above the secure base amount in the FCSIC Allocated Insurance Reserve Accounts. Refer to the 2017 Annual Report to Shareholders for additional information. We received mineral income of $141 thousand during the first three months of 2018, compared to $168 thousand received for the same period in 2017.

During the first three months of 2018, noninterest expense increased $157 thousand to $4.5 million, primarily due to increases in salaries and employee benefits, occupancy and equipment, and other noninterest expenses partially offset by a decrease in Farm Credit Insurance Fund premiums. The increase in salaries and employee benefits is due to salary increases and more staffing. The increase in occupancy and equipment is due to increases in property taxes, auto and facility insurance and software expenses. The increase in other noninterest expenses includes increased consulting and attorney fees, to include Board member search costs. The decrease in Farm Credit Insurance Fund premium is due to a lower premium rate.

CAPITAL RESOURCES

Our shareholders' equity at March 31, 2018, was $245.8 million, an increase from $241.3 million at December 31, 2017. This increase is due to net income, net stock issuances and amortization of pension costs included in the net periodic benefit cost.

CHANGES IN LEADERSHIP

There have been leadership changes within the Association. In February, Nick Wedel started as our Chief Information Security Officer. David Self, our Chief Credit Officer, semi-retired at the end of February and is now working part time reviewing credit and providing training. Chuck Blasi was promoted from Senior Vice President of Lending to our new Chief Credit Officer in March. In March, Katrina Lange was promoted from Vice President of Risk Management to our Chief Risk Officer. Stephanie Kaiser, an Attorney, has been hired to be our Standards of Conduct Official.

The Board appointed Steven Betts to fill the vacant Director position in March.

The undersigned certify they have reviewed this report, this report 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 his or her knowledge and belief.

//signed//
Gary Pautler
Chairman of Board
May 7, 2018

//signed//
Jeremy M. Anderson
CEO
May 7, 2018

//signed//
Shawna R Neppl
CFO
May 7, 2018

Consolidated Statement of Condition

(Dollars in Thousands)

	March 31 2018	December 31 2017
	UNAUDITED	AUDITED
ASSETS		
Loans	**$ 977,834**	$ 981,997
Less allowance for loan losses	**2,100**	2,261
Net loans	**975,734**	979,736
Cash	**1,425**	6,886
Accrued interest receivable	**12,891**	15,796
Investment in CoBank, ACB	**31,501**	31,487
Premises and equipment, net	**12,266**	12,172
Other property owned	**1,955**	2,378
Prepaid benefit expense	**1,422**	1,645
Other assets	**2,026**	4,737
Total assets	**$ 1,039,220**	$ 1,054,837
LIABILITIES		
Note payable to CoBank, ACB	**$ 777,988**	$ 796,825
Advance conditional payments	**7,707**	5,923
Accrued interest payable	**1,435**	1,358
Patronage distributions payable	**3,750**	3,750
Accrued benefits liability	**732**	1,018
Reserve for unfunded commitments	**340**	382
Other liabilities	**1,468**	4,252
Total liabilities	**793,420**	813,508
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Preferred stock	**2,645**	2,619
Capital stock	**1,419**	1,410
Unallocated retained earnings	**242,511**	238,141
Accumulated other comprehensive income/(loss)	**(775)**	(841)
Total shareholders' equity	**245,800**	241,329
Total liabilities and shareholders' equity	**$ 1,039,220**	$ 1,054,837

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

UNAUDITED	For the three months ended March 31 2018	2017
INTEREST INCOME		
Loans	**$ 11,550**	$ 10,396
Total interest income	**11,550**	10,396
INTEREST EXPENSE		
Note payable to CoBank	**4,786**	3,899
Other	**11**	3
Total interest expense	**4,797**	3,902
Net interest income	**6,753**	6,494
(Credit loss reversal)/Provision for credit losses	**(183)**	613
Net interest income after credit loss reversal/provision for credit losses	**6,936**	5,881
NONINTEREST INCOME		
Financially related services income	**38**	27
Loan fees	**101**	108
Patronage refund from Farm Credit Institutions	**882**	869
Farm Credit Insurance Fund distribution	**678**	-
Mineral income	**141**	168
Other noninterest income	**60**	51
Total noninterest income	**1,900**	1,223
NONINTEREST EXPENSE		
Salaries and employee benefits	**2,483**	2,387
Occupancy and equipment	**443**	357
Purchased services from AgVantis, Inc.	**471**	450
(Gains)/Losses on other property owned, net	**(3)**	17
Farm Credit Insurance Fund premium	**167**	263
Supervisory and examination costs	**95**	94
Other noninterest expense	**800**	731
Total noninterest expense	**4,456**	4,299
Income before income taxes	**4,380**	2,805
Provision for income taxes	**3**	3
Net income	**$ 4,377**	$ 2,802
OTHER COMPREHENSIVE INCOME		
Amortization of retirement costs	**66**	-
Comprehensive income	**$ 4,443**	$ 2,802

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Preferred Stock	Capital Stock	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2016	$ 1,879	$ 1,407	$ 228,177	$ -	$ 231,463
Comprehensive income			2,802	-	2,802
Stock issued	810	33			843
Stock retired	(1)	(38)			(39)
Preferred stock dividends	2		(3)		(1)
Balance at March 31, 2017	$ 2,690	$ 1,402	$ 230,976	$ -	$ 235,068
Balance at December 31, 2017	$ 2,619	$ 1,410	$ 238,141	$ (841)	$ 241,329
Comprehensive income			4,377	66	4,443
Stock issued	100	37			137
Stock retired	(78)	(28)			(106)
Preferred stock dividends	4		(7)		(3)
Balance at March 31, 2018	**$ 2,645**	**$ 1,419**	**$ 242,511**	**$ (775)**	**$ 245,800**

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

NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands, Except as Noted)
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Farm Credit of Southern Colorado ACA, (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2017, are contained in the 2017 Annual Report to Shareholders. These unaudited first quarter 2018 financial statements should be read in conjunction with the 2017 Annual Report to Shareholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2017, as contained in the 2017 Annual Report to Shareholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2018. Descriptions of the significant accounting policies are included in the 2017 Annual Report to Shareholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

In February 2018, the Financial Accounting Standards Board (FASB) issued guidance entitled “Income Statement — Reporting Comprehensive Income — Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” This guidance allows for the reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the recently issued tax legislation, Tax Cuts and Jobs Act (TCJA) that lowered the federal corporate tax rate from 35 percent to 21 percent. The amount of the reclassification shall include the effect of the change in the tax rate on gross deferred tax amounts and related valuation allowances at the date of enactment of the TCJA related to items remaining in accumulated other comprehensive income. The guidance becomes effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Association has early adopted this standard during the first quarter of 2018, and there was no impact on the Association’s financial condition or results of operations.

In March 2017, the 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 did not materially impact the Association’s financial condition or 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 did not impact the Association’s financial condition or its results of operations.

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 inform 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 became effective for interim and annual periods beginning after December 15, 2017. 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. The guidance sets forth the requirement for new and enhanced disclosures. The Association adopted the new standard effective January 1, 2018, using the modified retrospective approach. As the majority of the Association's revenues are not subject to the new guidance, the adoption of the guidance did not have a material impact on the financial position, results of operations, equity or cash flows.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows.

	March 31, 2018	December 31, 2017
Real estate mortgage	**$ 575,865**	$ 573,590
Production and intermediate-term	**155,780**	180,294
Agribusiness	**154,797**	147,501
Rural infrastructure	**80,433**	70,877
Rural residential real estate	**56**	57
Mission-related	**1,159**	1,172
Agricultural export finance	**9,744**	8,506
Total loans	**$ 977,834**	$ 981,997

The Association purchases and sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at March 31, 2018:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 26,112	$ 19,831	$ 3,905	$ -	$ 30,017	$19,831
Production and intermediate-term	20,132	17	-	-	20,132	17
Agribusiness	144,207	-	-	-	144,207	-
Rural infrastructure	80,433	-	-	-	80,433	-
Agricultural export finance	9,744	-	-	-	9,744	-
Total	$280,628	$ 19,848	$ 3,905	$ -	$284,533	$19,848

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	March 31, 2018	December 31, 2017
Real estate mortgage		
Acceptable	**91.80%**	91.90%
OAEM	**2.62%**	2.55%
Substandard	**5.58%**	5.55%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**92.85%**	91.01%
OAEM	**3.04%**	4.31%
Substandard	**4.11%**	4.68%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**98.87%**	99.10%
OAEM	**0.55%**	0.32%
Substandard	**0.58%**	0.58%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Rural residential real estate		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Mission-related		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Agricultural export finance		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**93.84%**	93.46%
OAEM	**2.12%**	2.34%
Substandard	**4.04%**	4.20%
Total	**100.00%**	100.00%

High risk assets consist of impaired loans and other property owned. These nonperforming assets (including related accrued interest) and related credit quality are as follows:

(dollars in thousands)	**March 31, 2018**	December 31, 2017
Nonaccrual loans		
Real estate mortgage	**$ 14,999**	$ 10,723
Production and intermediate-term	**1,052**	1,586
Total nonaccrual loans	**$ 16,051**	$ 12,309
Accruing restructured loans		
Real estate mortgage	**$ 505**	$ 519
Production and intermediate-term	**507**	717
Total accruing restructured loans	**$ 1,012**	$ 1,236
Accruing loans 90 days past due		
Real estate mortgage	**$ 147**	$ -
Production and intermediate-term	**45**	-
Total accruing loans 90 days past due	**$ 192**	$ -
Total impaired loans	**$ 17,255**	$ 13,545
Other property owned	**1,955**	2,378
Total high risk assets	**$ 19,210**	$ 15,923

Additional impaired loan information is as follows:

	March 31, 2018			December 31, 2017		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with a related allowance for credit losses:						
Real estate mortgage	**$ 557**	**$ 527**	**$ 16**	$ -	$ -	$ -
Total	**$ 557**	**$ 527**	**$ 16**	$ -	$ -	$ -
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 15,093**	**$ 19,185**		$ 11,242	$ 15,274	
Production and intermediate-term	**1,605**	**5,972**		2,303	6,894	
Total	**$ 16,698**	**$ 25,157**		$ 13,545	$ 22,168	
Total impaired loans:						
Real estate mortgage	**$ 15,650**	**$ 19,712**	**$ 16**	$ 11,242	$ 15,274	$ -
Production and intermediate-term	**1,605**	**5,972**	**-**	2,303	6,894	-
Total	**$ 17,255**	**$ 25,684**	**$ 16**	$ 13,545	$ 22,168	$ -

Note: The recorded investment in the loan receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the loan receivable.

	For the Three Months Ended March 31, 2018		For the Three Months Ended March 31, 2017	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	**$ 558**	**$ -**	$ -	$ -
Total	**$ 558**	**$ -**	$ -	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 12,904**	**$ 10**	$ 6,642	$ 17
Production and intermediate-term	**1,919**	**41**	3,006	36
Rural infrastructure	**-**	**-**	1,209	-
Total	**$ 14,823**	**$ 51**	$ 10,857	$ 53
Total impaired loans:				
Real estate mortgage	**$ 13,462**	**$ 10**	$ 6,642	$ 17
Production and intermediate-term	**1,919**	**41**	3,006	36
Rural infrastructure	**-**	**-**	1,209	-
Total	**$ 15,381**	**$ 51**	$ 10,857	$ 53

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

March 31, 2018	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans Outstanding	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 594	$ 704	$ 1,298	$ 583,150	$ 584,448	$ 147
Production and intermediate-term	5,686	1,061	6,747	152,406	159,153	45
Agribusiness	-	-	-	155,383	155,383	-
Rural infrastructure	-	-	-	80,756	80,756	-
Rural residential real estate	-	-	-	57	57	-
Mission-related	-	-	-	1,160	1,160	-
Agricultural export finance	-	-	-	9,768	9,768	-
Total	$ 6,280	$ 1,765	$ 8,045	$ 982,680	$ 990,725	$ 192

December 31, 2017	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans Outstanding	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 778	$ -	$ 778	$ 583,492	$ 584,270	$ -
Production and intermediate-term	1,815	212	2,027	182,285	184,312	-
Agribusiness	-	-	-	148,278	148,278	-
Rural infrastructure	1	-	1	71,173	71,174	-
Rural residential real estate	-	-	-	58	58	-
Mission-related	-	-	-	1,174	1,174	-
Agricultural export finance	-	-	-	8,527	8,527	-
Total	$ 2,594	$ 212	$ 2,806	$ 994,987	$ 997,793	$ -

A summary of changes in the allowance for loan losses is as follows:

	Balance at December 31, 2017	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2018
Real estate mortgage	$ 675	$ -	$ -	$ (92)	$ 583
Production and intermediate-term	557	20	-	12	549
Agribusiness	693	-	-	(68)	625
Rural infrastructure	317	-	-	7	324
Mission-related	13	-	-	-	13
Agricultural export finance	6	-	-	-	6
Total	$ 2,261	$ 20	$ -	$ (141)	$ 2,100

	Balance at December 31, 2016	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2017
Real estate mortgage	$ 429	$ -	$ -	$ 128	$ 557
Production and intermediate-term	338	10	-	251	629
Agribusiness	443	-	-	205	648
Rural infrastructure	265	-	-	(3)	262
Mission-related	4	-	-	1	5
Agricultural export finance	6	-	-	2	8
Total	$ 1,535	$ 10	$ -	$ 584	$ 2,109

The Association maintains a separate reserve for unfunded commitments, which is included in Liabilities on the Association's Consolidated Statement of Condition. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the Consolidated Statement of Comprehensive Income, along with the provision for loan losses. A summary of changes in the reserve for unfunded commitments follows:

	For the Three Months Ended March 31	
	2018	2017
Balance at beginning of period	**$ 382**	$ 270
Provision for unfunded commitments	**(42)**	29
Total	**$ 340**	$ 299

Additional information on the allowance for credit losses follows:

	Allowance for Credit Losses Ending Balance at March 31, 2018		Recorded Investments in Loans Outstanding Ending Balance at March 31, 2018	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ 16	$ 567	$ 15,650	$ 568,798
Production and intermediate-term	-	549	1,605	157,548
Agribusiness	-	625	-	155,383
Rural infrastructure	-	324	-	80,756
Rural residential real estate	-	-	-	57
Mission-related	-	13	-	1,160
Agricultural export finance	-	6	-	9,768
Total	$ 16	$ 2,084	$ 17,255	$ 973,470

	Allowance for Credit Losses Ending Balance at December 31, 2017		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2017	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 675	$ 11,242	$ 573,028
Production and intermediate-term	-	557	2,303	182,009
Agribusiness	-	693	-	148,278
Rural infrastructure	-	317	-	71,174
Rural residential real estate	-	-	-	58
Mission-related	-	13	-	1,174
Agricultural export finance	-	6	-	8,527
Total	$ -	$ 2,261	$ 13,545	$ 984,248

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider.

The following table presents additional information regarding troubled debt restructurings that occurred during the periods.

	For the Three Months Ended			
	March 31, 2018		March 31, 2017	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:				
Production and intermediate-term	**$ -**	**$ -**	$ 891	$ 891
Total	**$ -**	**$ -**	$ 891	$ 891

* Pre-modification represents the recorded investment in the loan receivable just prior to restructuring and post-modification represents the recorded investment in the loan receivable immediately following the restructuring. The recorded investment is the face amount of the loan receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

The Association had no TDRs within the previous 12 months and for which there were subsequent payment defaults during the period. Additional commitments to lend to borrowers whose loans have been modified in troubled debt restructurings were $797 at March 31, 2018 and $463 at December 31, 2017.

The following table provides information on outstanding loans restructured in troubled debt restructurings at period end. These loans are included as impaired loans in the impaired loan table.

	Loans modified as TDRs		TDRs in Nonaccrual Status*	
	March 31, 2018	December 31, 2017	**March 31, 2018**	December 31, 2017
Real estate mortgage	**$ 505**	$ -	**$ -**	$ -
Production and intermediate-term	**507**	519	**-**	-
Rural infrastructure	-	717	**-**	**-**
Total	**$ 1,012**	$ 1,236	**$ -**	$ -

* Represents the portion of loans modified as TDRs (first column) that are in nonaccrual status.

NOTE 3 - CAPITAL

A summary of select capital ratios based on a three-month average and minimums set by the Farm Credit Administration follows.

	As of March 31, 2018	As of December 31, 2017	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	19.79%	19.52%	4.5%	2.5%*	7.0%
Tier 1 capital ratio	19.79%	19.52%	6.0%	2.5%*	8.5%
Total capital ratio	20.04%	19.74%	8.0%	2.5%*	10.5%
Permanent capital ratio	20.09%	19.81%	7.0%	—	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	20.70%	20.35%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	21.35%	20.94%	1.5%	—	1.5%

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

If capital ratios fall below the regulatory minimum plus buffer amounts, capital distributions (equity redemptions, cash dividend payments, and cash patronage payments) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. The current regulations establish a three-year phase-in of the capital conservation buffer, which began on January 1, 2017. There will be no phase-in of the leverage buffer.

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

	For the Three Months Ended March 31	
	2018	2017
Pension and other benefit plans:		
Beginning balance	**$ (841)**	$ -
Amounts reclassified from accumulated other comprehensive loss	**66**	-
Net current period other comprehensive income/(loss)	**66**	-
Ending balance	**$ (775)**	$ -

The following table represents reclassifications out of accumulated other comprehensive income/(loss).

	Amount Reclassified from Accumulated Other Comprehensive Income/(Loss) For the Three Months Ended March 31		Location of Gain/Loss Recognized in Statement of Income
	2018	2017	
Pension and other benefit plans:			
Net actuarial loss	**$ 66**	$ -	Salaries and employee benefits
Total reclassifications	**$ 66**	$ -	

NOTE 4 - INCOME TAXES

The Tax Cuts and Jobs Act of 2017 enacted in late 2017, among other things, lowered the federal corporate tax rate from 35 percent to 21 percent beginning in 2018. Refer to the 2017 Annual Report to Shareholders for additional information.

NOTE 5 - FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 to the 2017 Annual Report to Shareholders for a more complete description.

The Association had no assets or liabilities measured at fair value on a recurring basis at March 31, 2018 or December 31, 2017.

Assets measured at fair value on a non-recurring basis for each of the fair value hierarchy values are summarized below:

	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
March 31, 2018				
Loans	**$ —**	**$ —**	**$ 541**	**$ 541**
Other property owned	**$ —**	**$ —**	**$ 2,065**	**$ 2,065**
December 31, 2017				
Loans	$ —	$ —	$ —	$ —
Other property owned	$ —	$ —	$ 2,565	$ 2,565

With regard to impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and takes into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

The Association had no liabilities measured at fair value on a non-recurring basis at March 31, 2018 or December 31, 2017.

Valuation Techniques

As more fully discussed in Note 2 to the 2017 Annual Report to Shareholders, accounting guidance establishes 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 presents a brief summary of the valuation techniques used by the Association for assets and liabilities, subject to fair value measurement.

Loans Evaluated for Impairment

For impaired loans measured on a non-recurring basis, the fair value is based upon the underlying real estate collateral since the loans are collateral dependent. The fair value measurement process uses independent appraisals 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, these fair value measurements fall within Level 3 of the 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 the net loan is reported at its fair value.

Other Property Owned

Other property owned measured on a non-recurring basis is generally classified as Level 3. 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 7 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 7, 2018, which is the date the financial statements were issued, and no material subsequent events were identified.