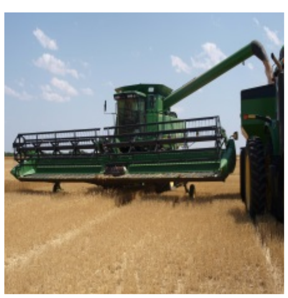
High Plains Farm Credit

2018 SECOND QUARTER

STOCKHOLDERS



REPORT

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 High Plains Farm Credit, ACA for the six months ended June 30, 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.

High Plains Farm Credit's annual and quarterly reports to stockholders are available on the Association's website, HighPlainsFarmCredit.com or can be obtained free of charge by contacting the Association's headquarters at (620) 285-6978. Annual reports are available 75 days after year-end and quarterly reports are available 40 days after each calendar quarter end. The financial condition and results of operations of CoBank, ACB (CoBank), materially affect the risk associated with stockholder investments in High Plains Farm Credit, ACA. Stockholders of High Plains Farm Credit, ACA may obtain copies of CoBank's financial statements free of charge by visiting CoBank's website, CoBank.com or by contacting us at our Larned headquarters office located at 605 Main, Larned, KS 67550-0067 or by calling us at (620) 285-6978.

Effective October 1, 2017, Farm Credit of Ness City, FLCA was merged into High Plains Farm Credit, ACA. The merger united two strong Associations with deep Kansas roots, into a financial institution of greater capital, capacity and human resources to better serve Kansas agriculture. The merged association continues to conduct business as High Plains Farm Credit, ACA with headquarters located in Larned, KS. Kevin Swayne is President and Chief Executive Officer of the continuing Association. For purposes of the management discussion and analysis, unless otherwise noted, reference to "the Association" represents High Plains Farm Credit from a current, historic and future perspective. Beginning October 1, 2017 our financial position, results of operations, cash flows and related metrics include the effects of the merger. Upon the closing of the merger, we acquired assets at fair value of $343.3 million and assumed liabilities at fair value of $273.2 million, thus net assets increased by $70.1 million.

CURRENT MARKET CONDITIONS

According to the U.S. drought monitor, drought conditions in our territory are categorized as "normal" to "extreme drought" conditions. Recent rains have improved moisture conditions but some drought pockets remain. Winter wheat harvest is nearly complete across the territory, with yields ranging from 15 to 60 bushels per acre in the field and farm averages between 30 and 40 bushels per acre. The drought through the winter months had the largest impact on yields, while large hail areas affected others. Since March, wheat prices have increased while all other cash grains have decreased. The recent tariffs imposed by China in retaliation to U.S. tariffs have caused a dramatic decrease in soybeans price. Support in the wheat market has come from improved basis as grain merchandisers vie for bushels and protein. Crop insurance continues to be utilized to help manage risk in this area.

Cattle markets have fluctuated since last quarter as fat cattle prices close the quarter at roughly 12% lower, while feeder cattle prices have been steady. Profitability is mixed depending on cattle and class. Slaughter continues to keep feed yards current as we move into the summer months.

The weakened real estate market appears to be showing signs of stabilizing as recent sales have held steady for most tracts of land throughout the territory. Buyers continue to be traditional farmers and ranchers.

LOAN PORTFOLIO

The loan portfolio consists of agricultural real estate loans, agricultural production operating loans and intermediate-term loans. Loans outstanding at June 30, 2018, totaled $1.11 billion, an increase of $49.4 million (4.67%) from loans of $1.06 billion at December 31, 2017. The increase is primarily due to new loans originated and advances in excess of loan pay-offs and pay-downs.

Advance conditional payments totaled $13.3 million at June 30, 2018, an increase of $6.7 million (100.71%), from $6.6 million at December 31, 2017. The advance conditional payment accounts are impacted by seasonal conditions. Typically, stockholders utilize these accounts as they find themselves with excess cash.

RESULTS OF OPERATIONS

Beginning October 1, 2017, results of operations and related metrics include the effects of the merger. Results presented prior to October 1, do not reflect the impact of the merger.

High Plains Farm Credit posted strong financial results for the six-month period ending June 30, 2018. Net income for the six months ended June 30, 2018, was $13.5 million, an increase of $6.3 million (87.64%) from the same period ended one year ago. The increase is primarily attributed to an increase in loan volume and efficiencies gained from the merger with Farm Credit of Ness City.

Net interest income for the six months ended June 30, 2018, was $15.1 million, an increase of $5.5 million (58.05%) compared with the six months ended June 30, 2017. Net interest income, as compared to June 30, 2017, increased primarily due to additional loan volume, largely acquired from the merger. The increase is also due in part to higher earnings on owner equity.

The provision for credit losses for the six months ended June 30, 2018, was $507 thousand, a decrease of $151 thousand (22.95%) from the same period ended one year ago. While there has been some expected credit deterioration in the loan portfolio due to adverse agricultural economic conditions in our region, the overall risk profile has remained relatively stable leading to a lower provision in the current period compared to the same period last year.

Noninterest income increased $1.5 million during the first six months of 2018 compared with the first six months in 2017 primarily due to the allocated premium refund of $755 thousand from the Farm Credit System Insurance Corporation (FCSIC). This was our portion of excess funds above the secure base amount in the FCSIC Allocated Insurance Reserve Accounts. Refer to Note 1 in the 2017 Annual Report to Shareholders for additional information about FCSIC. The $500 thousand increase in patronage income is primarily due to patronage received from CoBank related to the additional loan volume acquired from the merger. Financially related services increased $69 thousand, compared to the prior year primarily due to the implementation of FASB guidance “Revenue from Contracts with customers” which impacts the timing related to reporting crop insurance commissions. (See Note 1 of the accompanying Consolidated Financial Statements). All other increases were largely attributable to the merger.

We received mineral income of $198 thousand during the first six months of 2018, which is distributed to us quarterly from CoBank. The increase of $37 thousand compared to the first six months of 2017 is due to the merger.

During the first six months of 2018, noninterest expense increased $1.03 million to $5.65 million. The increase is net of efficiencies gained from the merger. An increase of $478 thousand in salaries and benefits and an increase of $240 thousand in purchased services from Agvantis are due to additional employees while the increase in occupancy and equipment of $78 thousand is primarily due to costs associated with an additional branch location (i.e., Ness City). These increases were partially offset by an $88 thousand decrease in the Farm Credit Insurance Fund premium. Noninterest expense efficiencies gained due to the merger were approximately $1.2 million through the second quarter of 2018.

CAPITAL RESOURCES

Our shareholders’ equity at June 30, 2018 was $234.1 million, an increase of $15.9 million from $218.2 million at December 31, 2017. This increase is due to year-to-date net income and net stock issuances, partially offset by preferred stock dividends declared.

The Association’s Class H Preferred Stock dividend rate at June 30, 2018 was 3.25%. The dividend rate is a per annum rate subject to change each month.

BUILDING PROJECTS

As High Plains Farm Credit continues to expand products and services for our stockholders, we also need infrastructure which is commensurate with our current and future growth. In March, the board of directors approved a building addition to the Hays office located on Vine Street. The expansion will provide eight additional offices, public meeting space and a basement for storage and future growth. Construction commenced in May and is expected to be completed during the fall of 2018. The net project cost is expected to be just over $1 million. The project will be funded by sale of the administrative office location in downtown Hays and financing through CoBank.

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.

Danny Koehn
Chairperson of the Board
August 3, 2018

Melvin E. Kitts
Chairperson of the Audit Committee
August 3, 2018

Kevin D. Swayne
President & Chief Executive Officer
August 3, 2018

Kristen Windscheffel
Chief Financial Officer
August 3, 2018

Consolidated Statement of Condition

(Dollars in Thousands)

	June 30 2018 UNAUDITED	December 31 2017 AUDITED
ASSETS		
Loans	**$ 1,106,220**	$ 1,056,849
Less allowance for loan losses	**2,975**	2,449
Net loans	**1,103,245**	1,054,400
Cash	**2,785**	13,166
Investment in dealer notes	**1,355**	1,109
Accrued interest receivable	**18,737**	16,634
Investment in CoBank, ACB	**39,225**	38,477
Premises and equipment, net	**3,094**	3,026
Prepaid benefit expense	**1,478**	1,312
Other assets	**5,799**	8,705
Total assets	**$ 1,175,718**	$ 1,136,829
LIABILITIES		
Note payable to CoBank, ACB	**$ 922,011**	$ 898,655
Advance conditional payments	**13,279**	6,616
Accrued interest payable	**1,994**	1,645
Patronage distributions payable	**-**	4,400
Accrued benefits liability	**501**	697
Deferred tax liability	**202**	202
Reserve for unfunded commitments	**399**	434
Other liabilities	**3,261**	5,994
Total liabilities	**941,647**	918,643
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Preferred stock	**5,853**	3,453
Capital stock	**1,815**	1,818
Additional paid-in capital	**69,380**	69,380
Unallocated retained earnings	**157,381**	143,949
Accumulated other comprehensive loss	**(358)**	(414)
Total shareholders' equity	**234,071**	218,186
Total liabilities and shareholders' equity	**$ 1,175,718**	$ 1,136,829

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 June 30 **2018**	2017	For the six months ended June 30 **2018**	2017
INTEREST INCOME				
Loans	**$ 13,481**	$ 7,991	**$ 25,987**	$ 15,438
Investment in dealer notes	**18**	15	**31**	26
Total interest income	**13,499**	8,006	**26,018**	15,464
INTEREST EXPENSE				
Note payable to CoBank	**5,916**	3,131	**10,872**	5,897
Other	**34**	13	**57**	20
Total interest expense	**5,950**	3,144	**10,929**	5,917
Net interest income	**7,549**	4,862	**15,089**	9,547
Provision for credit losses	**219**	551	**507**	658
Net interest income after provision for credit losses	**7,330**	4,311	**14,582**	8,889
NONINTEREST INCOME				
Financially related services income	**8**	9	**97**	28
Loan fees	**35**	1	**94**	20
Patronage refund from Farm Credit Institutions	**1,652**	1,518	**3,357**	2,857
Farm Credit Insurance Fund distribution	**-**	-	**755**	-
Mineral income	**98**	82	**198**	161
Other noninterest income	**61**	55	**126**	91
Total noninterest income	**1,854**	1,665	**4,627**	3,157
NONINTEREST EXPENSE				
Salaries and employee benefits	**1,428**	1,219	**2,935**	2,457
Occupancy and equipment	**105**	66	**215**	137
Purchased services from AgVantis, Inc.	**452**	333	**904**	664
Farm Credit Insurance Fund premium	**195**	222	**353**	441
Merger implementation costs	**-**	36	**-**	48
Supervisory and examination costs	**111**	86	**222**	173
Other noninterest expense	**529**	333	**1,021**	704
Total noninterest expense	**2,820**	2,295	**5,650**	4,624
Income before income taxes	**6,364**	3,681	**13,559**	7,422
Provision for income taxes	**38**	130	**49**	222
Net income	**6,326**	3,551	**13,510**	7,200
OTHER COMPREHENSIVE INCOME				
Amortization of retirement costs	**28**	22	**56**	44
Total comprehensive income	**$ 6,354**	$ 3,573	**$ 13,566**	$ 7,244

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Protected Borrower Stock	Preferred Stock	Capital Stock	Additional Paid-In Capital	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2016	$ 1	$ 3,494	$ 1,148	$ -	$ 131,832	$ (401)	$ 136,074
Comprehensive income					7,200	44	7,244
Stock issued	-	49	33				82
Stock retired	(1)	-	(28)				(29)
Preferred stock dividends declared		-			(45)		(45)
Balance at June 30, 2017	$ -	$ 3,543	$ 1,153	$ -	$ 138,987	$ (357)	$ 143,326
Balance at December 31, 2017	$ -	$ 3,453	$ 1,818	$ 69,380	$ 143,949	$ (414)	$ 218,186
Comprehensive income					13,510	56	13,566
Stock issued	-	2,400	50				2,450
Stock retired	-	-	(53)				(53)
Preferred stock dividends declared		-			(78)		(78)
Balance at June 30, 2018	**$ -**	**$ 5,853**	**$ 1,815**	**$ 69,380**	**$ 157,381**	**$ (358)**	**$ 234,071**

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 High Plains Farm Credit, 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 second 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 but did impact the Association’s fair value disclosures.

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**.**

	June 30, 2018	December 31, 2017
Real estate mortgage	**$ 733,361**	$ 730,288
Production and intermediate-term	**308,629**	281,269
Agribusiness	**60,297**	41,055
Rural infrastructure	**3,363**	3,477
Rural residential real estate	**570**	760
Total loans	**$ 1,106,220**	$ 1,056,849

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 June 30, 2018:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 26,332	$116,383	$ 885	$ 509	$ 27,217	$116,892
Production and intermediate-term	20,949	176,389	2,677	23	23,626	176,412
Agribusiness	42,384	13,697	-	572	42,384	14,269
Rural infrastructure	3,363	-	-	-	3,363	-
Total	$ 93,028	$306,469	$ 3,562	$ 1,104	$ 96,590	$307,573

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:

	June 30, 2018	December 31, 2017
Real estate mortgage		
Acceptable	**91.58%**	93.96%
OAEM	**5.44%**	4.07%
Substandard	**2.98%**	1.97%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**87.48%**	91.78%
OAEM	**7.19%**	5.06%
Substandard	**5.33%**	3.16%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**94.13%**	99.97%
OAEM	**5.87%**	0.03%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Rural residential real estate		
Acceptable	**89.89%**	100.00%
OAEM	**10.11%**	-
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**90.60%**	93.63%
OAEM	**5.94%**	4.17%
Substandard	**3.46%**	2.20%
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)	**June 30, 2018**	December 31, 2017
Nonaccrual loans		
Real estate mortgage	**$ 1,715**	$ 1,475
Production and intermediate-term	**314**	38
Total nonaccrual loans	**$ 2,029**	$ 1,513
Total high risk assets	**$ 2,029**	$ 1,513

The Association had no accruing restructured loans, no accruing loans 90 days past due and no other property owned for the periods presented.

Additional impaired loan information is as follows:

	June 30, 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:						
Production and intermediate-term	**$ 314**	**$ 314**	**$ 34**	$ -	$ -	$ -
Total	**$ 314**	**$ 314**	**$ 34**	$ -	$ -	$ -
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 1,715**	**$ 1,895**		$ 1,475	$ 1,632	
Production and intermediate-term	**-**	**-**		38	39	
Agribusiness	**-**	**107**		-	107	
Total	**$ 1,715**	**$ 2,002**		$ 1,513	$ 1,778	
Total impaired loans:						
Real estate mortgage	**$ 1,715**	**$ 1,895**	**$ -**	$ 1,475	$ 1,632	$ -
Production and intermediate-term	**314**	**314**	**34**	38	39	-
Agribusiness	**-**	**107**	**-**	-	107	-
Total	**$ 2,029**	**$ 2,316**	**$ 34**	$ 1,513	$ 1,778	$ -

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 June 30, 2018		For the Three Months Ended June 30, 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	**$ -**	**$ -**	$ 800	$ -
Production and intermediate-term	**351**	**-**	373	-
Total	**$ 351**	**$ -**	$ 1,173	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 1,349**	**$ 13**	$ 90	$ 61
Production and intermediate-term	**123**	**10**	52	30
Total	**$ 1,472**	**$ 23**	$ 142	$ 91
Total impaired loans:				
Real estate mortgage	**$ 1,349**	**$ 13**	$ 890	$ 61
Production and intermediate-term	**474**	**10**	425	30
Total	**$ 1,823**	**$ 23**	$ 1,315	$ 91

	For the Six Months Ended June 30, 2018		For the Six Months Ended June 30, 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	**$ -**	**$ -**	$ 1,090	$ -
Production and intermediate-term	**176**	**-**	467	-
Total	**$ 176**	**$ -**	$ 1,557	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 1,456**	**$ 29**	$ 65	$ 77
Production and intermediate-term	**94**	**10**	25	30
Total	**$ 1,550**	**$ 39**	$ 90	$ 107
Total impaired loans:				
Real estate mortgage	**$ 1,456**	**$ 29**	$ 1,155	$ 77
Production and intermediate-term	**270**	**10**	492	30
Total	**$ 1,726**	**$ 39**	$ 1,647	$ 107

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

June 30, 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	$ 111	$ 567	$ 678	$ 746,246	$ 746,924	$ -
Production and intermediate-term	1,528	-	1,528	312,119	313,647	-
Agribusiness	598	-	598	59,838	60,436	-
Rural infrastructure	-	-	-	3,368	3,368	-
Rural residential real estate	-	-	-	576	576	-
Total	$ 2,237	$ 567	$ 2,804	$1,122,147	$1,124,951	$ -

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	$ 2,468	$ 566	$ 3,034	$ 739,024	$ 742,058	$ -
Production and intermediate-term	-	-	-	286,008	286,008	-
Agribusiness	-	-	-	41,170	41,170	-
Rural infrastructure	-	-	-	3,483	3,483	-
Rural residential real estate	-	-	-	764	764	-
Total	$ 2,468	$ 566	$ 3,034	$1,070,449	$1,073,483	$ -

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

	Balance at March 31, 2018	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2018
Real estate mortgage	$ 515	$ 4	$ -	$ 190	$ 701
Production and intermediate-term	2,140	-	-	47	2,187
Agribusiness	100	-	-	(13)	87
Total	$ 2,755	$ 4	$ -	$ 224	$ 2,975

	Balance at December 31, 2017	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2018
Real estate mortgage	$ 483	$ 12	$ -	$ 230	$ 701
Production and intermediate-term	1,909	4	-	282	2,187
Agribusiness	57	-	-	30	87
Total	$ 2,449	$ 16	$ -	$ 542	$ 2,975

	Balance at March 31, 2017	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2017
Real estate mortgage	$ 306	$ 2	$ -	$ 1	$ 305
Production and intermediate-term	1,285	-	-	544	1,829
Agribusiness	31	-	-	(16)	15
Rural infrastructure	1	-	-	-	1
Total	$ 1,623	$ 2	$ -	$ 529	$ 2,150

	Balance at December 31, 2016	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2017
Real estate mortgage	$ 232	$ 2	$ -	$ 75	$ 305
Production and intermediate-term	1,171	4	-	662	1,829
Agribusiness	20	-	-	(5)	15
Rural infrastructure	1	-	-	-	1
Total	$ 1,424	$ 6	$ -	$ 732	$ 2,150

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 June 30		For the Six Months Ended June 30	
	2018	2017	**2018**	2017
Balance at beginning of period	**$ 404**	$ 752	**$ 434**	$ 848
(Reversal of reserve for unfunded commitments)/Provision for unfunded commitments	**(5)**	22	**(35)**	(74)
Total	**$ 399**	$ 774	**$ 399**	$ 774

Additional information on the allowance for credit losses follows:

	Allowance for Credit Losses Ending Balance at June 30, 2018		Recorded Investments in Loans Outstanding Ending Balance at June 30, 2018	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 701	$ 1,715	$ 745,209
Production and intermediate-term	34	2,153	314	313,333
Agribusiness	-	87	-	60,436
Rural infrastructure	-	-	-	3,368
Rural residential real estate	-	-	-	576
Total	$ 34	$ 2,941	$ 2,029	$ 1,122,922

	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	$ -	$ 483	$ 1,475	$ 740,583
Production and intermediate-term	-	1,909	38	285,970
Agribusiness	-	57	-	41,170
Rural infrastructure	-	-	-	3,483
Rural residential real estate	-	-	-	764
Total	$ -	$ 2,449	$ 1,513	$ 1,071,970

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. TDR volume at June 30, 2018 consisted of one nonaccrual loan. The restructure on this loan, which occurred during the first quarter of 2018, is part of a court ordered bankruptcy plan.

The following table presents additional information regarding troubled debt restructurings that occurred during the first six months of 2018 and 2017. There were no TDRs that occurred during the first three months of 2018 and 2017.

	For the Six Months Ended			
	June 30, 2018		June 30, 2017	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:				
Real estate mortgage	$ 76	$ 76	$ -	$ -
Total	$ 76	$ 76	$ -	$ -

* 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 for which there were subsequent payment defaults during the first six months of 2018 or 2017. There were no additional commitments to lend to borrowers whose loans have been modified in troubled debt restructuring at June 30, 2018 and 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*	
	June 30, 2018	December 31, 2017	**June 30, 2018**	December 31, 2017
Real estate mortgage	**$ 76**	$ -	**$ 76**	$ -
Total	**$ 76**	$ -	**$ 76**	$ -

* 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 June 30, 2018	As of December 31, 2017	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	15.77%	15.43%	4.5%	2.5%*	7.0%
Tier 1 capital ratio	15.77%	15.43%	6.0%	2.5%*	8.5%
Total capital ratio	16.04%	15.70%	8.0%	2.5%*	10.5%
Permanent capital ratio	16.32%	15.74%	7.0%	–	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	16.40%	15.97%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	18.63%	18.20%	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 June 30		For the Six Months Ended June 30	
	2018	2017	**2018**	2017
Pension and other benefit plans:				
Beginning balance	**$ (386)**	**$ (379)**	**$ (414)**	$ (401)
Amounts reclassified from accumulated other comprehensive loss	**28**	22	**56**	44
Net current period other comprehensive income	**28**	22	**56**	44
Ending balance	**$ (358)**	$ (357)	**$ (358)**	$ (357)

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

	Amount Reclassified from Accumulated Other Comprehensive Income/(Loss)		Location of Gain/Loss Recognized in Statement of Income
	For the Three Months Ended June 30		
	2018	2017	
Pension and other benefit plans:			
Net actuarial loss	**$ 28**	$ 22	Salaries and employee benefits
Total reclassifications	**$ 28**	$ 22	

	Amount Reclassified from Accumulated Other Comprehensive Income/(Loss)		Location of Gain/Loss Recognized in Statement of Income
	For the Six Months Ended June 30		
	2018	2017	
Pension and other benefit plans:			
Net actuarial loss	**$ 56**	$ 44	Salaries and employee benefits
Total reclassifications	**$ 56**	$ 44	

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.

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement Using			**Total Fair Value**
	Level 1	**Level 2**	**Level 3**	
Assets held in nonqualified benefits trusts				
June 30, 2018	**$ 252**	**$ –**	**$ –**	**$ 252**
December 31, 2017	$ 364	$ –	$ –	$ 364

During the first six months of 2018, the Association recorded no transfers in or out of Levels 1, 2, or 3.

The Association had no liabilities measured at fair value on a recurring basis at June 30, 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**	
June 30, 2018				
Loans	**$ —**	**$ —**	**$** 280	**$ 280**
December 31, 2017				
Loans	$ —	$ —	$ —	$ —

With regard to impaired loans, 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 June 30, 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.

Assets Held in Non-Qualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Loans Evaluated for Impairment

For impaired loans measured on a non-recurring basis, the fair value is based upon the underlying collateral since the loans are collateral dependent loans for which real estate is the collateral. 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.

NOTE 6 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through August 3, 2018, which is the date the financial statements were issued, and no material subsequent events were identified.