High Plains Farm Credit

2018 THIRD 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 nine months ended September 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

The U.S. drought monitor indicates conditions in our territory are categorized as "normal". Timely rains throughout the latter part of the summer growing season have been beneficial to crop production and grazing conditions. Currently, across the state, corn is nearly 29 percent harvested with many expecting the second largest harvest in history. Corn condition is rated 39 percent good and 13 percent excellent. Soybean condition is rated 38 percent good and 5 percent excellent with harvest 6 percent complete. Sorghum condition is 47 percent good and 11 percent excellent as 35 percent is rated mature and 6 percent harvested. Winter wheat is progressing with 14 percent planted and with 3 percent emerged. All cash grain prices and soybean prices are lower compared to the second quarter due to plentiful stock supplies.

The cattle market has fluctuated since last quarter as fat cattle prices closed the quarter roughly 12% lower, while feeder cattle prices have been steady. Profitability is mixed depending on cattle and class. Feed yards remain full while slaughter continues to keep feed yards current as we move into the winter months.

The real estate market continues to be reflective of poor grain prices as certain classes of crop ground have trended lower. Demand for top quality crop ground ranges from steady to strong while average to poor quality is lower. Pasture ground continues to hold steady. 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 September 30, 2018, totaled $1.12 billion, an increase of $63.2 million (5.98%) from loans of $1.06 billion at December 31, 2017. The increase is primarily due to new loans originated, advances and purchased in excess of loan pay-offs and pay-downs.

Advance conditional payments totaled $6.2 million at September 30, 2018, a decrease of $454 thousand (6.86%), 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 nine-month period ending September 30, 2018. Net income for the nine months ended September 30, 2018, was $21.2 million, an increase of $10.5 million (98.90%) 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 nine months ended September 30, 2018, was $22.7 million, an increase of $8.4 million (59.03%) compared with the nine months ended September 30, 2017. Net interest income, as compared to September 30, 2017, increased primarily due to additional loan volume, largely acquired from the merger.

The provision for credit losses for the nine months ended September 30, 2018, was $322 thousand, a decrease of $465 thousand (59.09%) from the same period ended one year ago. While there has been some expected credit deterioration in the loan portfolio due to the 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 ended one year ago.

Noninterest income increased $2.9 million during the first nine months of 2018 compared with the first nine months of 2017 due, in part, 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. Patronage refunds from Farm Credit Institutions increased $1.8 million year-to-date, compared to one year ago. The increase is primarily attributed to a one-time, special patronage received from CoBank, in the amount of $1.0 million, related to benefits recognized from the federal tax reform legislation and other significant non-recurring items in the current year. Financially related services increased $120 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 $352 thousand during the first nine months of 2018, which is distributed to us quarterly from CoBank. The increase of $112 thousand compared to the first nine months of 2017 is primarily due to the merger.

During the first nine months of 2018, noninterest expense increased $1.3 million to $8.7 million. The increase is net of efficiencies gained from the merger. The increases of $877 thousand in salaries and benefits and $402 thousand in purchased services from AgVantis are due to additional employees while the increase in occupancy and equipment of $120 thousand is primarily due to costs associated with an additional branch location (i.e., Ness City). These increases were partially offset by a $99 thousand decrease in the Farm Credit Insurance Fund premium. Noninterest expense efficiencies recognized due to the merger were approximately $1.4 million through the third quarter of 2018.

CAPITAL RESOURCES

Our shareholders’ equity at September 30, 2018 was $240.4 million, an increase of $22.2 million from $218.2 million at December 31, 2017. This increase is due to year-to-date net income, amortization of pension costs included in the net periodic benefit cost and net stock issuances, partially offset by preferred stock dividends declared.

The Association’s Class H Preferred Stock dividend rate at September 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 additional offices, public meeting space and a basement for storage and future growth. Construction commenced in May and is expected to be completed by the end 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
November 2, 2018

Melvin E. Kitts
Chairperson of the Audit Committee
November 2, 2018

Kevin D. Swayne
President & Chief Executive Officer
November 2, 2018

Kristen Windscheffel
Chief Financial Officer
November 2, 2018

Consolidated Statement of Condition

(Dollars in Thousands)

	September 30 2018	December 31 2017
	UNAUDITED	AUDITED
ASSETS		
Loans	**$ 1,120,045**	$ 1,056,849
Less allowance for loan losses	**2,731**	2,449
Net loans	**1,117,314**	1,054,400
Cash	**2,519**	13,166
Investment in dealer notes	**295**	1,109
Accrued interest receivable	**23,461**	16,634
Investment in CoBank, ACB	**39,225**	38,477
Premises and equipment, net	**3,494**	3,026
Prepaid benefit expense	**1,688**	1,312
Other assets	**6,388**	8,705
Total assets	**$ 1,194,384**	$ 1,136,829
LIABILITIES		
Note payable to CoBank, ACB	**$ 941,313**	$ 898,655
Advance conditional payments	**6,162**	6,616
Accrued interest payable	**2,087**	1,645
Patronage distributions payable	**-**	4,400
Accrued benefits liability	**502**	697
Deferred tax liability	**205**	202
Reserve for unfunded commitments	**460**	434
Other liabilities	**3,239**	5,994
Total liabilities	**953,968**	918,643
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Preferred stock	**4,570**	3,453
Capital stock	**1,801**	1,818
Additional paid-in capital	**69,380**	69,380
Unallocated retained earnings	**164,995**	143,949
Accumulated other comprehensive loss	**(330)**	(414)
Total shareholders' equity	**240,416**	218,186
Total liabilities and shareholders' equity	**$ 1,194,384**	$ 1,136,829

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

	For the three months ended September 30		For the nine months ended September 30	
UNAUDITED	**2018**	2017	**2018**	2017
INTEREST INCOME				
Loans	**$ 13,944**	$ 8,051	**$ 39,931**	$ 23,489
Investment in dealer notes	**18**	19	**49**	45
Total interest income	**13,962**	8,070	**39,980**	23,534
INTEREST EXPENSE				
Note payable to CoBank	**6,301**	3,319	**17,173**	9,216
Other	**40**	18	**97**	38
Total interest expense	**6,341**	3,337	**17,270**	9,254
Net interest income	**7,621**	4,733	**22,710**	14,280
(Credit loss reversal)/Provision for credit loss	**(185)**	129	**322**	787
Net interest income after credit for loss reversal/provision for credit loss	**7,806**	4,604	**22,388**	13,493
NONINTEREST INCOME				
Financially related services income	**137**	86	**234**	114
Loan fees	**37**	9	**131**	29
Patronage refund from Farm Credit Institutions	**2,558**	1,274	**5,915**	4,131
Farm Credit Insurance Fund distribution	**-**	-	**755**	-
Mineral income	**154**	79	**352**	240
Other noninterest income	**88**	62	**214**	153
Total noninterest income	**2,974**	1,510	**7,601**	4,667
NONINTEREST EXPENSE				
Salaries and employee benefits	**1,609**	1,210	**4,544**	3,667
Occupancy and equipment	**121**	79	**336**	216
Purchased services from AgVantis, Inc.	**455**	293	**1,359**	957
Farm Credit Insurance Fund premium	**199**	210	**552**	651
Merger implementation costs	**-**	504	**-**	552
Supervisory and examination costs	**91**	71	**313**	244
Other noninterest expense	**619**	450	**1,640**	1,154
Total noninterest expense	**3,094**	2,817	**8,744**	7,441
Income before income taxes	**7,686**	3,297	**21,245**	10,719
Provision for/(Benefit from) income taxes	**35**	(142)	**84**	80
Net income	**7,651**	3,439	**21,161**	10,639
OTHER COMPREHENSIVE INCOME				
Amortization of retirement costs	**28**	22	**84**	66
Total comprehensive income	**$ 7,679**	$ 3,461	**$ 21,245**	$ 10,705

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					10,639	66	10,705
Stock issued	-	559	55				614
Stock retired	(1)	(1,400)	(65)				(1,466)
Preferred stock dividends declared		-			(65)		(65)
Balance at September 30, 2017	$ -	$ 2,653	$ 1,138	$ -	$ 142,406	$ (335)	$ 145,862
Balance at December 31, 2017	$ -	$ 3,453	$ 1,818	$ 69,380	$ 143,949	$ (414)	$ 218,186
Comprehensive income					21,161	84	21,245
Stock issued	-	3,112	70				3,182
Stock retired	-	(1,995)	(87)				(2,082)
Preferred stock dividends declared		-			(115)		(115)
Balance at September 30, 2018	**$ -**	**$ 4,570**	**$ 1,801**	**$ 69,380**	**$ 164,995**	**$ (330)**	**$ 240,416**

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 third 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 August 2018, the Financial Accounting Standards Board (FASB) issued guidance entitled “Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Cost.” The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this guidance. This guidance becomes effective for interim and annual periods beginning after December 15, 2019. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. Early adoption is permitted. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The Association is evaluating the impact of adoption on the Association’s financial condition and its results of operations.

In August 2018, the FASB issued guidance entitled “Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans.” The guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance becomes effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The guidance is to be applied on a retrospective basis for all periods. The adoption of this guidance will not impact the Association’s financial condition or its results of operations, but will impact the employee benefit plan disclosures.

In August 2018, the FASB issued guidance entitled “Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement.” The guidance modifies the requirements on fair value measurements by removing, modifying or adding to the disclosures. This guidance becomes effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted and an entity is permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The adoption of this guidance will not impact the Association’s financial condition or its results of operations, but will impact the fair value measurements disclosures.

In February 2018, the 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 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 became 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 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 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. In July 2018, the FASB issued an update entitled "Leases – Targeted Improvements," which provides entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. An entity that elects this additional transition method must provide the required disclosures of the now current standard for all prior periods presented. The guidance and related amendments in this update become effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The Association has evaluated the impact of this new guidance, and the adoption is not expected to impact the Association's financial condition or its 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 by category follows.

	September 30, 2018	December 31, 2017
Real estate mortgage	**$ 738,517**	$ 730,288
Production and intermediate-term	**305,794**	281,269
Agribusiness	**71,888**	41,055
Rural infrastructure	**3,305**	3,477
Rural residential real estate	**541**	760
Total loans	**$ 1,120,045**	$ 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 September 30, 2018:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 38,705	$113,364	$ 596	$ 495	$ 39,301	$113,859
Production and intermediate-term	37,266	197,344	1,618	23	38,884	197,367
Agribusiness	52,903	15,765	-	810	52,903	16,575
Rural infrastructure	3,305	-	-	-	3,305	-
Total	$132,179	$326,473	$ 2,214	$ 1,328	$134,393	$327,801

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:

	September 30, 2018	December 31, 2017
Real estate mortgage		
Acceptable	**91.13%**	93.96%
OAEM	**5.54%**	4.07%
Substandard	**3.33%**	1.97%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**85.88%**	91.78%
OAEM	**8.77%**	5.06%
Substandard	**5.35%**	3.16%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**96.19%**	99.97%
OAEM	**3.81%**	0.03%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Rural residential real estate		
Acceptable	**89.19%**	100.00%
Substandard	**10.81%**	-
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**90.04%**	93.63%
OAEM	**6.29%**	4.17%
Substandard	**3.67%**	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:

	September 30, 2018	December 31, 2017
Nonaccrual loans		
Real estate mortgage	**$ 1,704**	$ 1,475
Production and intermediate-term	**302**	38
Total nonaccrual loans	**$ 2,006**	$ 1,513
Accruing loans 90 days past due		
Real estate mortgage	**$ 37**	$ -
Total accruing loans 90 days past due	**$ 37**	$ -
Total high risk assets	**$ 2,043**	$ 1,513

The Association had no accruing restructured loans and no other property owned for the periods presented.

Additional impaired loan information is as follows:

	September 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	**$ 302**	**$ 314**	**$ 35**	$ -	$ -	$ -
Total	**$ 302**	**$ 314**	**$ 35**	$ -	$ -	$ -
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 1,741**	**$ 1,990**		$ 1,475	$ 1,632	
Production and intermediate-term	**-**	**-**		38	39	
Agribusiness	**-**	**107**		-	107	
Total	**$ 1,741**	**$ 2,097**		$ 1,513	$ 1,778	
Total impaired loans:						
Real estate mortgage	**$ 1,741**	**$ 1,990**	**$ -**	$ 1,475	$ 1,632	$ -
Production and intermediate-term	**302**	**314**	**35**	38	39	-
Agribusiness	**-**	**107**	**-**	-	107	-
Total	**$ 2,043**	**$ 2,411**	**$ 35**	$ 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 September 30, 2018		For the Three Months Ended September 30, 2017	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Production and intermediate-term	**$ 279**	**$ -**	$ -	$ -
Total	**$ 279**	**$ -**	$ -	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 1,745**	**$ 2**	$ 64	$ 5
Production and intermediate-term	**-**	**12**	328	4
Total	**$ 1,745**	**$ 14**	$ 392	$ 9
Total impaired loans:				
Real estate mortgage	**$ 1,745**	**$ 2**	$ 64	$ 5
Production and intermediate-term	**279**	**12**	328	4
Total	**$ 2,024**	**$ 14**	$ 392	$ 9

	For the Nine Months Ended September 30, 2018		For the Nine Months Ended September 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	**$ -**	**$ -**	$ 727	$ -
Production and intermediate-term	**222**	**-**	311	-
Total	**$ 222**	**$ -**	$ 1,038	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 1,553**	**$ 30**	$ 61	$ 83
Production and intermediate-term	**51**	**22**	124	34
Total	**$ 1,604**	**$ 52**	$ 185	$ 117
Total impaired loans:				
Real estate mortgage	**$ 1,553**	**$ 30**	$ 787	$ 83
Production and intermediate-term	**273**	**22**	436	34
Total	**$ 1,826**	**$ 52**	$ 1,223	$ 117

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

September 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	$ 2,724	$ 37	$ 2,761	$ 752,805	$ 755,566	$ 37
Production and intermediate-term	253	-	253	311,667	311,920	-
Agribusiness	-	-	-	72,161	72,161	-
Rural infrastructure	-	-	-	3,310	3,310	-
Rural residential real estate	-	-	-	545	545	-
Total	$ 2,977	$ 37	$ 3,014	$1,140,488	$1,143,502	$ 37

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 June 30, 2018	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2018
Real estate mortgage	$ 701	$ (8)	$ 10	$ (39)	$ 664
Production and intermediate-term	2,187	-	-	(213)	1,974
Agribusiness	87	-	-	6	93
Total	$ 2,975	$ (8)	$ 10	$ (246)	$ 2,731

	Balance at December 31, 2017	Charge-offs	Recoveries	Provision for Loan Losses	Balance at September 30, 2018
Real estate mortgage	$ 483	$ (19)	$ 10	$ 190	$ 664
Production and intermediate-term	1,909	(4)	-	69	1,974
Agribusiness	57	-	-	36	93
Total	$ 2,449	$ (23)	$ 10	$ 295	$ 2,731

	Balance at June 30, 2017	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2017
Real estate mortgage	$ 305	$ (1)	$ -	$ 60	$ 364
Production and intermediate-term	1,829	-	-	200	2,029
Agribusiness	15	-	-	(5)	10
Rural infrastructure	1	-	-	(1)	-
Total	$ 2,150	$ (1)	$ -	$ 254	$ 2,403

	Balance at December 31, 2016	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2017
Real estate mortgage	$ 232	$ (3)	$ -	$ 135	$ 364
Production and intermediate-term	1,171	(4)	-	862	2,029
Agribusiness	20	-	-	(10)	10
Rural infrastructure	1	-	-	(1)	-
Total	$ 1,424	$ (7)	$ -	$ 986	$ 2,403

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 September 30		For the Nine Months Ended September 30	
	2018	2017	**2018**	2017
Balance at beginning of period	**$ 399**	$ 774	**$ 434**	$ 848
Provision for/(Reversal of) reserves for unfunded commitments	**61**	(125)	**26**	(199)
Total	**$ 460**	$ 649	**$ 460**	$ 649

Additional information on the allowance for credit losses follows:

	Allowance for Credit Losses Ending Balance at September 30, 2018		Recorded Investments in Loans Outstanding Ending Balance at September 30, 2018	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 664	$ 1,741	$ 753,825
Production and intermediate-term	35	1,939	302	311,618
Agribusiness	-	93	-	72,161
Rural infrastructure	-	-	-	3,310
Rural residential real estate	-	-	-	545
Total	$ 35	$ 2,696	$ 2,043	$ 1,141,459

	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 September 30, 2018 consisted of two nonaccrual loans. The restructure for both loans were based upon court-ordered bankruptcy plans.

The tables below present additional information regarding troubled debt restructurings that occurred during the following periods in 2018 and 2017.

	For the Three Months Ended			
	September 30, 2018		September 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	$ 567	$ 572	$ -	$ -
Total	$ 567	$ 572	$ -	$ -

	For the Nine Months Ended			
	September 30, 2018		September 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	$ 643	$ 648	$ -	$ -
Total	$ 643	$ 648	$ -	$ -

* 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 nine months of 2018 and 2017. There were no additional commitments to lend to borrowers whose loans have been modified in troubled debt restructuring at September 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*	
	September 30, 2018	December 31, 2017	**September 30, 2018**	December 31, 2017
Real estate mortgage	**$ 648**	$ -	**$ 648**	$ -
Total	**$ 648**	$ -	**$ 648**	$ -

* 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 September 30, 2018	As of December 31, 2017	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	15.82%	15.43%	4.5%	2.5%*	7.0%
Tier 1 capital ratio	15.82%	15.43%	6.0%	2.5%*	8.5%
Total capital ratio	16.10%	15.70%	8.0%	2.5%*	10.5%
Permanent capital ratio	16.29%	15.74%	7.0%	–	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	16.49%	15.97%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	18.67%	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 September 30		For the Nine Months Ended September 30	
	2018	2017	**2018**	2017
Pension and other benefit plans:				
Beginning balance	**$ (358)**	$ (357)	**$ (414)**	$ (401)
Amounts reclassified from accumulated other comprehensive loss	**28**	22	**84**	66
Net current period other comprehensive income/(loss)	**28**	22	**84**	66
Ending balance	**$ (330)**	$ (335)	**$ (330)**	$ (335)

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 September 30		Location of Gain/Loss Recognized in Statement of Income
	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) For the Nine Months Ended September 30		Location of Gain/Loss Recognized in Statement of Income
	2018	2017	
Pension and other benefit plans:			
Net actuarial loss	**$ 84**	$ 66	Salaries and employee benefits
Total reclassifications	**$ 84**	$ 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.

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

	Fair Value Measurement Using			Total Fair
	Level 1	**Level 2**	**Level 3**	**Value**
Assets held in nonqualified benefits trusts				
September 30, 2018	**$ 254**	**$ –**	**$ –**	**$ 254**
December 31, 2017	$ 364	$ –	$ –	$ 364

During the first nine 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 September 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
	Level 1	**Level 2**	**Level 3**	**Value**
September 30, 2018				
Loans	**$ —**	**$ —**	**$ 267**	**$ 267**
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 September 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 November 2, 2018, which is the date the financial statements were issued, and the following subsequent event was identified.

In October, Kristen Windscheffel, Chief Financial Officer, announced her resignation effective November 2, 2018. John Booze, Controller of High Plains Farm Credit, has been named Interim Chief Financial Officer until the position is filled.