Premier Farm Credit

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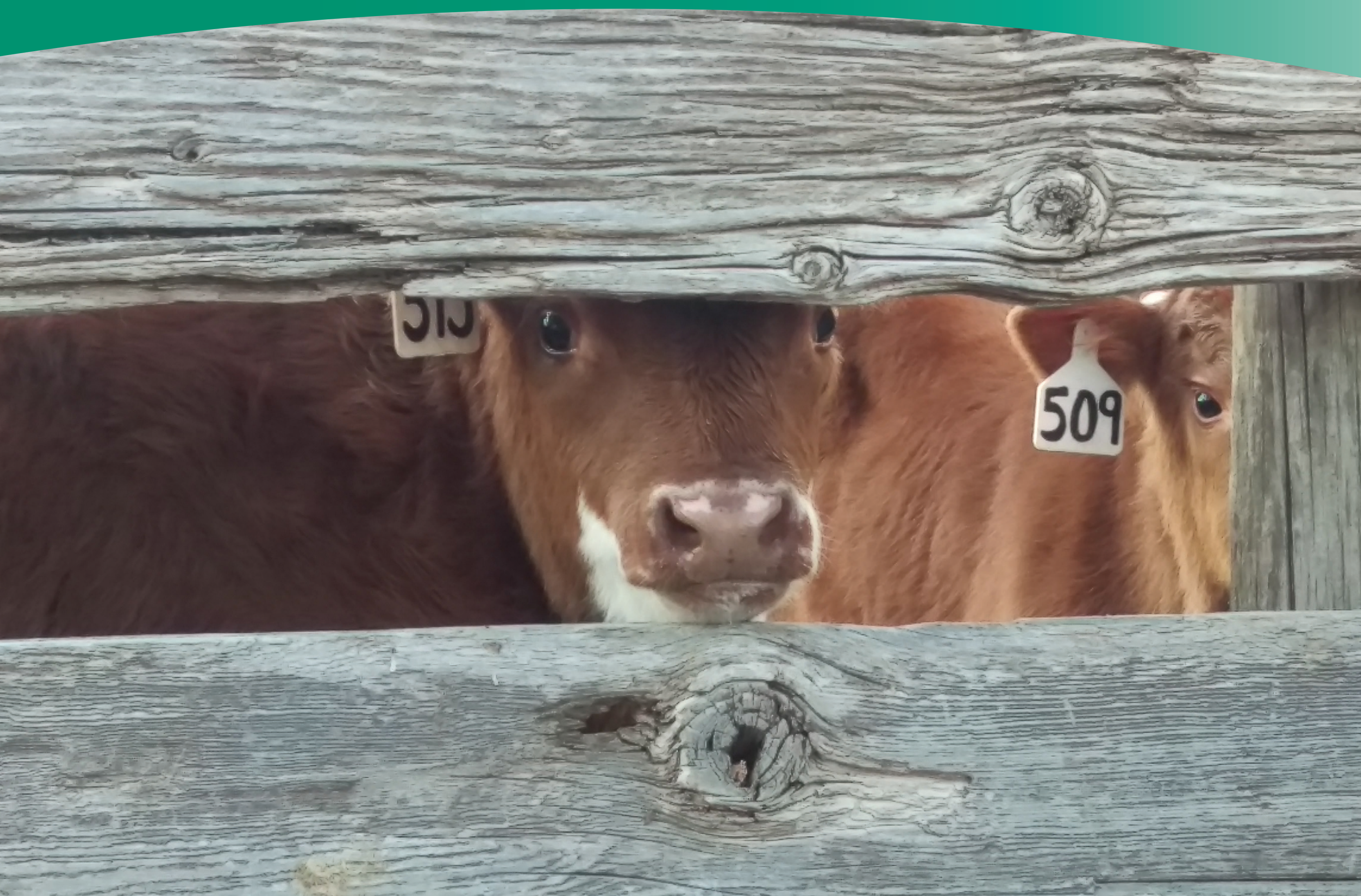
1st QUARTER REPORT 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Thousands, Except as Noted)
(Unaudited)

The following discussion summarizes the financial position and results of operations of Premier Farm Credit, 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 shareholders' investment in Premier Farm Credit, 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 202 Poplar Street, Sterling, Colorado 80751 or calling (970) 522-5295.

CURRENT OVERVIEW

General economic conditions within our territory remain favorable. Cabela's, a large retail store in Sidney, Nebraska, which is approximately 45 miles north of Sterling, was purchased by Bass Pro Shop. This is eliminating several job opportunities in our trade territory with several of the store's job positions moving to Springfield, Missouri, Bass Pro Shop's headquarters. Even with this in mind, the local economy reflects stability with low unemployment, strong housing demand, and new business investment. The Federal Open Market Committee raised the fed funds target rate by 0.25% in March and continues to project two more rate increases in 2018.

The operating loan renewal season has revealed mixed results for operations within our territory. While many operations continue to maintain equity resulting from prior earnings and asset appreciation, a continued erosion of working capital and loan margins is taking place as a result of low commodity prices. The cash grain segment of our loan portfolio continues to exhibit more credit stress as capital levels and margins have deteriorated. Cash grain prices remain below breakeven levels for some producers, resulting in losses for this sector. Cow-calf operations remain profitable and have demonstrated some improvement due to improved calf prices. Feedlot and stocker operations have also stabilized over the past year due to improved market conditions. Production for most operators within our territory has been above average the past few years. This along with improved cattle prices has helped to enhance earnings. Producers continue to make strategic decisions and adjustments to their operations to deal with the realization that commodity prices may remain low for an extended period of time. The participation portfolio continues to benefit from the favorable economy. After declining this past year, credit quality has stabilized during the first quarter and is anticipated to remain stable in 2018, insulated in part with the diversification of the purchased loan portfolio.

The production outlook for 2018 is mixed at this time. Our territory has not received much winter or spring moisture to date, however there remains good sub-moisture. Reservoirs are full at this time and water supplies are anticipated to be adequate going into the spring and early summer.

LOAN PORTFOLIO

Loans outstanding at March 31, 2018, totaled $667,472 a decrease of $6,310, or 0.94%, from loans of $673,782 at December 31, 2017. The decrease was primarily due to operating loan repayments and scheduled principal payments on term loans which occurred after the first of the year. These repayments were only partially offset with new loan volume.

The Association is a party to a shared lending operation known as the Commercial Finance Group (CFG). The alliance includes our Association along with several other Associations within the CoBank and AgriBank Districts. Along with these Associations, we pool our resources to coordinate and enhance the marketing, originating and servicing of large, complex commercial and mortgage loans, as well as diversify risk. This agreement was consummated in December 2010.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2018, was $3,606, an increase of $479, or 15.32%, from the same period ended one year ago. The increase in net income was primarily attributed to increased noninterest income combined with decreased provisions for credit losses. These favorable factors were partially offset by a reduction in net interest income.

Net interest income for the three months ended March 31, 2018, was $4,464, a decrease of $169, or 3.65%, compared with March 31, 2017. Despite higher average loan balances, net interest income decreased as a result of reduced interest rate spreads and margins due to increased funding costs.

The provision for credit losses for the three months ended March 31, 2018, was $17, a decrease of $219, or 92.80%, from the same period ended one year ago. The provision for credit losses decreased as a result of the loan portfolio stabilizing in performance and credit quality.

Noninterest income increased $428 during the first three months of 2018 compared with the first three months in 2017 primarily due to a refund of $437 from Farm Credit System Insurance Corporation (FCSIC). This 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. Increased financially related services income also favorably impacted noninterest income. These increases were partially offset by reduced loan fees, other noninterest income, and mineral income. We received mineral income of $94 during the first three months of 2018, which is distributed to us quarterly by CoBank.

During the first three months of 2018, noninterest expense decreased $1 to $2,190, primarily due to a reduced Farm Credit Insurance Fund premium, which was mostly offset with higher salaries and employee benefits expenses.

CAPITAL RESOURCES

Our shareholders' equity at March 31, 2018, was $155,655, an increase from $152,051 at December 31, 2017. This increase is due to net income and the amortization of pension costs included in the net periodic benefit cost, partially offset by net stock reductions.

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.

Lyndsey D. Graves
Chair of the Audit Committee
May 4, 2018

Michael Grauberger
President & CEO
May 4, 2018

Jeffrey L. Schumacher
Chief Financial Officer
May 4, 2018

Consolidated Statement of Condition

(Dollars in Thousands)

	March 31 2018	December 31 2017
	UNAUDITED	AUDITED
ASSETS		
Loans	**$ 667,472**	$ 673,782
Less allowance for loan losses	**2,727**	2,796
Net loans	**664,745**	670,986
Cash	**2,253**	12,252
Accrued interest receivable	**8,281**	9,408
Investment in CoBank, ACB	**21,585**	21,547
Premises and equipment, net	**988**	1,023
Prepaid benefit expense	**1,095**	1,263
Other assets	**2,517**	4,397
Total assets	**$ 701,464**	$ 720,876
LIABILITIES		
Note payable to CoBank, ACB	**$ 526,244**	$ 546,917
Advance conditional payments	**13,523**	11,958
Accrued interest payable	**1,119**	1,031
Patronage distributions payable	**-**	3,750
Accrued benefits liability	**714**	711
Reserve for unfunded commitments	**537**	426
Other liabilities	**3,672**	4,032
Total liabilities	**545,809**	568,825
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	**878**	901
Unallocated retained earnings	**155,146**	151,540
Accumulated other comprehensive (loss)/income	**(369)**	(390)
Total shareholders' equity	**155,655**	152,051
Total liabilities and shareholders' equity	**$ 701,464**	$ 720,876

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	**$ 7,681**	$ 7,326
Total interest income	**7,681**	7,326
INTEREST EXPENSE		
Note payable to CoBank	**3,203**	2,685
Other	**14**	8
Total interest expense	**3,217**	2,693
Net interest income	**4,464**	4,633
Provision for credit losses	**17**	236
Net interest income after provision for credit losses	**4,447**	4,397
NONINTEREST INCOME		
Financially related services income	**74**	41
Loan fees	**73**	80
Patronage refund from Farm Credit Institutions	**631**	633
Farm Credit Insurance Fund distribution	**437**	-
Mineral income	**94**	112
Other noninterest income	**45**	60
Total noninterest income	**1,354**	926
NONINTEREST EXPENSE		
Salaries and employee benefits	**1,141**	1,088
Occupancy and equipment	**119**	113
Purchased services from AgVantis, Inc.	**358**	347
Farm Credit Insurance Fund premium	**112**	184
Supervisory and examination costs	**72**	69
Other noninterest expense	**388**	390
Total noninterest expense	**2,190**	2,191
Income before income taxes	**3,611**	3,132
Provision for income taxes	**5**	5
Net income	**3,606**	3,127
OTHER COMPREHENSIVE INCOME		
Amortization of retirement costs	**21**	1
Total comprehensive income	**$ 3,627**	$ 3,128

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Capital Stock	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2016	$ 938	$ 142,826	$ (50)	$ 143,714
Comprehensive income		3,127	1	3,128
Stock issued	13			13
Stock retired	(33)			(33)
Balance at March 31, 2017	$ 918	$ 145,953	$ (49)	$ 146,822
Balance at December 31, 2017	$ 901	$ 151,540	$ (390)	$ 152,051
Comprehensive income		3,606	21	3,627
Stock issued	7			7
Stock retired	(30)			(30)
Balance at March 31, 2018	**$ 878**	**$ 155,146**	**$ (369)**	**$ 155,655**

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 Premier 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 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	**$ 379,248**	$ 382,589
Production and intermediate-term	**138,733**	153,827
Agribusiness	**109,822**	100,027
Rural infrastructure	**35,155**	33,353
Agricultural export finance	**4,514**	3,986
Total loans	**$ 667,472**	$ 673,782

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	
	Purchased	Sold
Real estate mortgage	$ 22,815	$ 2,129
Production and intermediate-term	25,427	8,912
Agribusiness	107,451	-
Rural infrastructure	35,155	-
Agricultural export finance	4,514	-
Total	$ 195,362	$ 11,041

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	**82.89%**	83.61%
OAEM	**8.60%**	7.77%
Substandard	**8.51%**	8.62%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**78.96%**	77.58%
OAEM	**10.56%**	10.72%
Substandard	**10.48%**	11.70%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**98.43%**	98.40%
OAEM	**0.15%**	-
Substandard	**1.42%**	1.60%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**98.36%**	100.00%
OAEM	**1.64%**	-
Total	**100.00%**	100.00%
Agricultural export finance		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**85.53%**	85.31%
OAEM	**7.21%**	6.87%
Substandard	**7.26%**	7.82%
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	**$ 1,985**	$ 2,987
Production and intermediate-term	**182**	291
Agribusiness	**1,239**	1,268
Total nonaccrual loans	**$ 3,406**	$ 4,546
Total high risk assets	**$ 3,406**	$ 4,546

The Association had no 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:

	March 31, 2018			December 31, 2017		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 1,985**	**$ 2,177**		$ 2,987	$ 2,904	
Production and intermediate-term	**182**	**206**		291	290	
Agribusiness	**1,239**	**1,239**		1,268	1,268	
Total	**$ 3,406**	**$ 3,622**		$ 4,546	$ 4,462	

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 no related allowance for credit losses:				
Real estate mortgage	**$ 2,786**	**$ 19**	$ 229	$ 4
Production and intermediate-term	**229**	**2**	283	1
Agribusiness	**1,256**	**-**	-	-
Rural infrastructure	**-**	**-**	800	-
Total	**$ 4,271**	**$ 21**	$ 1,312	$ 5

There were no impaired loans with a related allowance for credit losses at March 31, 2018 or December 31, 2017.

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	$ 1,422	$ -	$ 1,422	$ 383,617	$ 385,039	$ -
Production and intermediate-term	2,066	-	2,066	138,721	140,787	-
Agribusiness	-	-	-	110,120	110,120	-
Rural infrastructure	-	-	-	35,280	35,280	-
Agricultural export finance	-	-	-	4,527	4,527	-
Total	$ 3,488	$ -	$ 3,488	$ 672,265	$ 675,753	$ -

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	$ 173	$ 2,465	$ 2,638	$ 386,403	$ 389,041	$ -
Production and intermediate-term	-	-	-	156,341	156,341	-
Agribusiness	-	-	-	100,357	100,357	-
Rural infrastructure	-	-	-	33,453	33,453	-
Agricultural export finance	-	-	-	3,998	3,998	-
Total	$ 173	$ 2,465	$ 2,638	$ 680,552	$ 683,190	$ -

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	$ 1,078	$ -	$ -	$ (2)	$ 1,076
Production and intermediate-term	956	1	3	(88)	870
Agribusiness	571	-	-	13	584
Rural infrastructure	175	-	23	(18)	180
Agricultural export finance	16	-	-	1	17
Total	$ 2,796	$ 1	$ 26	$ (94)	$ 2,727

	Balance at December 31, 2016	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2017
Real estate mortgage	$ 988	$ -	$ -	$ (4)	$ 984
Production and intermediate-term	709	1	3	90	801
Agribusiness	597	-	-	(1)	596
Rural infrastructure	196	-	-	1	197
Agricultural export finance	18	-	-	(1)	17
Total	$ 2,508	$ 1	$ 3	$ 85	$ 2,595

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	**$ 426**	$ 387
Provision for unfunded commitments	**111**	151
Total	**$ 537**	$ 538

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	$ -	$ 1,076	$ 1,985	$ 383,054
Production and intermediate-term	-	870	182	140,605
Agribusiness	-	584	1,239	108,881
Rural infrastructure	-	180	-	35,280
Agricultural export finance	-	17	-	4,527
Total	$ -	$ 2,727	$ 3,406	$ 672,347

	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	$ -	$ 1,078	$ 2,987	$ 386,054
Production and intermediate-term	-	956	291	156,050
Agribusiness	-	571	1,268	99,089
Rural infrastructure	-	175	-	33,453
Agricultural export finance	-	16	-	3,998
Total	$ -	$ 2,796	$ 4,546	$ 678,644

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 Association recorded no TDRs during the three months ended March 31, 2018.

The Association had no TDRs within the previous 12 months and for which there were subsequent payment defaults during the first three months of 2018 and 2017.

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	17.81%	17.37%	4.5%	2.5%*	7.0%
Tier 1 capital ratio	17.81%	17.37%	6.0%	2.5%*	8.5%
Total capital ratio	18.25%	17.81%	8.0%	2.5%*	10.5%
Permanent capital ratio	17.88%	17.44%	7.0%	–	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	19.33%	18.91%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	19.81%	19.29%	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	**$ (390)**	$ (50)
Amounts reclassified from accumulated other comprehensive loss	**21**	1
Net current period other comprehensive income/(loss)	**21**	1
Ending balance	**$ (369)**	$ (49)

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	**$ 21**	$ 1	Salaries and employee benefits
Total reclassifications	**$ 21**	$ 1	

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				
March 31, 2018	**$ 1,001**	**$ –**	**$ –**	**$ 1,001**
December 31, 2017	$ 955	$ –	$ –	$ 955

During the first three 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 March 31, 2018 or December 31, 2017.

The Association had no assets or 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.

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.

NOTE 6 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 4, 2018, which is the date the financial statements were issued, and no material subsequent events were identified.