Premier Farm Credit

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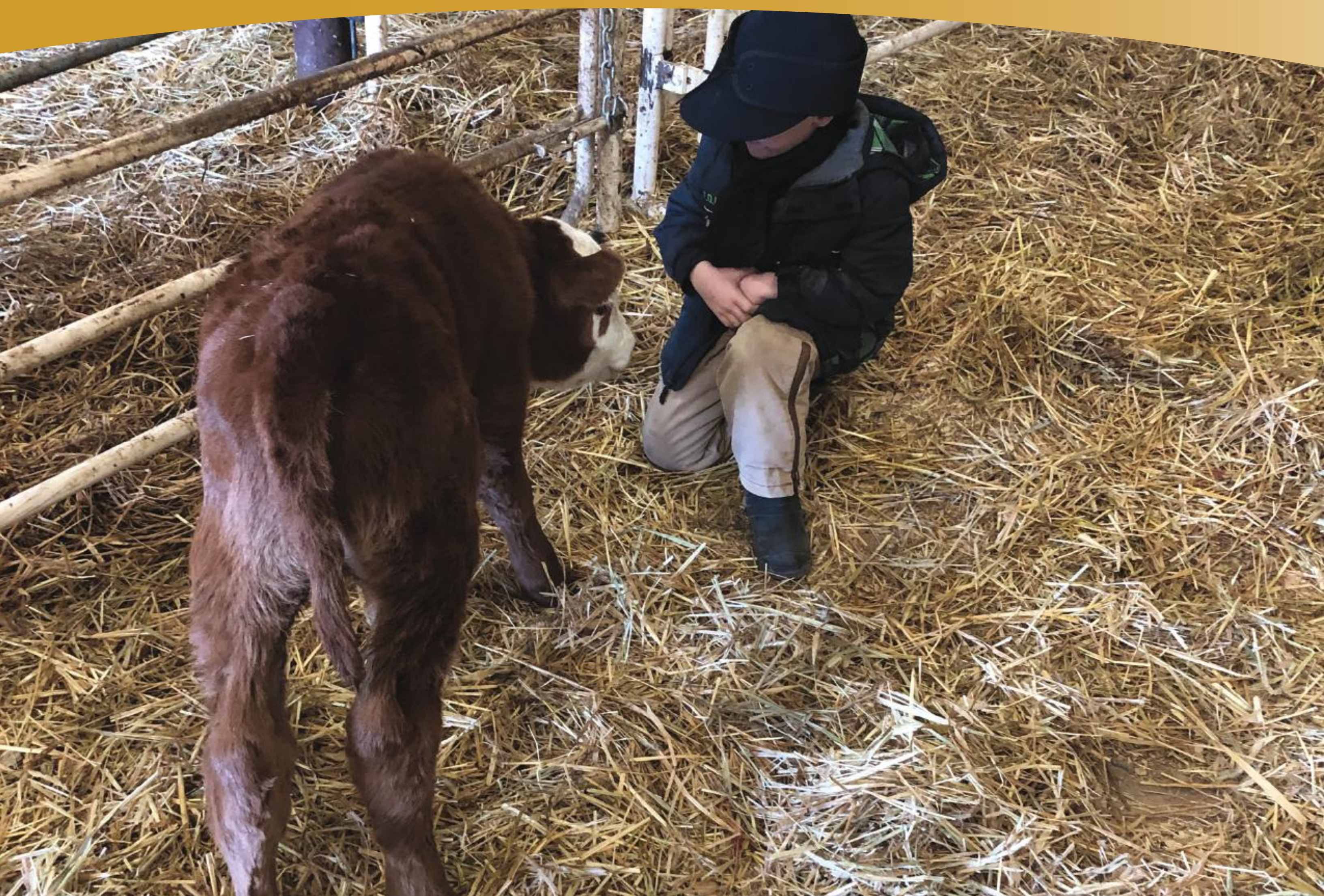
1st QUARTER REPORT 2019



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, 2019, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2018 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 2018 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 continue to remain favorable. The local economy reflects stability with low unemployment, strong housing demand, and new business investment. Stable general economic conditions continue to benefit our participation and direct loan portfolios. During the first quarter of 2019, the Federal Open Market Committee left the fed funds target interest rate unchanged. The Fed has indicated that it may keep the rate flat for the remainder of 2019 based on concerns related to slowing economic growth.

The operating loan renewal season has revealed mixed results for operations within our territory. Cash grain prices remain below breakeven levels for some producers, creating challenges for loans within this sector. The cash grain segment of our loan portfolio continues to exhibit more credit stress as capital levels and margins have deteriorated. Despite higher feed costs, cow-calf operations have remained profitable due to stable calf prices. Feedlot and stocker operations were also profitable, benefiting stable margins during the year. Production for most operators within our territory has been above average the past few years. This along with stable 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 are likely to remain low for an extended period of time. Association credit quality has reflected modest improvement due to a combination of favorable loan performance and borrowers restructuring or retiring debt. Overall, credit quality is anticipated to remain stable for the remainder of 2019, insulated in part with the diversification of the purchased loan portfolio.

The production outlook for 2019 is mixed at this time. The territory received limited winter moisture; however, timely moisture has been received this spring. This has created good subsoil moisture conditions for most of our territory. Reservoirs are full and the mountains which feed the rivers in our territory have above average snow pack. Water supplies are anticipated to be adequate for the 2019 growing season.

LOAN PORTFOLIO

Loans outstanding at March 31, 2019, totaled $676,866, a decrease of $2,788, or 0.41%, from loans of $679,654 at December 31, 2018. 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.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2019, was $3,392, a decrease of $214, or 5.93%, from the same period ended one year ago. The decrease in net income was primarily attributed to decreased noninterest income and increased noninterest expenses, partially offset by an increase in net interest income after provision for credit losses.

Net interest income for the three months ended March 31, 2019, was $4,716, an increase of $252, or 5.65%, compared with the three months ended March 31, 2018. Net interest income increased as a result of increased average loan volume compared to the same prior year period and enhanced earnings on equity positioning.

The provision for credit losses for the three months ended March 31, 2019 was $103, compared to $17 for the same period ended one year ago. The provision for credit losses increased as a result of an increase in loan specific reserves and other adjustments related to both funded and unfunded commitments.

Noninterest income decreased $232 during the first three months of 2019 compared with the first three months in 2018 primarily due to a decrease in refund of $274 from Farm Credit System Insurance Corporation (FCSIC). The refunds are our portion of excess funds above the secure base amount in the FCSIC Allocated Insurance Reserve Accounts. Refer to the 2018 Annual Report to Shareholders for additional information. Financially related services, loan fees, and other noninterest income also decreased. These decreases were partially offset by increased patronage distributions from Farm Credit institutions and mineral income. We received mineral income of $178 during the first three months of 2019, which is distributed to us quarterly by CoBank.

During the first three months of 2019, noninterest expense increased $148 to $2,338, primarily due to modest increases in salary and employee benefit expenses and increased costs of purchased services from AgVantis.

CAPITAL RESOURCES

Our shareholders' equity at March 31, 2019, was $165,467, an increase from $162,063 at December 31, 2018. 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 3, 2019

Michael Grauberger
President & CEO
May 3, 2019

Jeffrey L. Schumacher
Chief Financial Officer
May 3, 2019

Consolidated Statement of Condition

(Dollars in Thousands)

	March 31 2019	December 31 2018
	UNAUDITED	AUDITED
ASSETS		
Loans	**$ 676,866**	$ 679,654
Less allowance for loan losses	**2,769**	2,790
Net loans	**674,097**	676,864
Cash	**2,304**	11,364
Accrued interest receivable	**8,890**	10,130
Investment in CoBank, ACB	**21,704**	21,639
Premises and equipment, net	**970**	967
Prepaid benefit expense	**1,729**	1,836
Other assets	**2,717**	4,646
Total assets	**$ 712,411**	$ 727,446
LIABILITIES		
Note payable to CoBank, ACB	**$ 530,300**	$ 546,137
Advance conditional payments	**11,768**	9,957
Accrued interest payable	**1,314**	1,304
Patronage distributions payable	**-**	4,500
Accrued benefits liability	**701**	697
Reserve for unfunded commitments	**464**	337
Other liabilities	**2,397**	2,451
Total liabilities	**546,944**	565,383
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	**860**	862
Unallocated retained earnings	**164,878**	161,486
Accumulated other comprehensive loss	**(271)**	(285)
Total shareholders' equity	**165,467**	162,063
Total liabilities and shareholders' equity	**$ 712,411**	$ 727,446

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 2019	2018
INTEREST INCOME		
Loans	**$ 8,452**	$ 7,681
Total interest income	**8,452**	7,681
INTEREST EXPENSE		
Note payable to CoBank, ACB	**3,692**	3,203
Other	**44**	14
Total interest expense	**3,736**	3,217
Net interest income	**4,716**	4,464
Provision for credit losses	**103**	17
Net interest income after provision for credit losses	**4,613**	4,447
NONINTEREST INCOME		
Financially related services income	**45**	74
Loan fees	**64**	73
Patronage distribution from Farm Credit institutions	**634**	631
Farm Credit Insurance Fund distribution	**163**	437
Mineral income	**178**	94
Other noninterest income	**38**	45
Total noninterest income	**1,122**	1,354
NONINTEREST EXPENSE		
Salaries and employee benefits	**1,211**	1,141
Occupancy and equipment	**122**	119
Purchased services from AgVantis, Inc.	**410**	358
Farm Credit Insurance Fund premium	**111**	112
Supervisory and examination costs	**72**	72
Other noninterest expense	**412**	388
Total noninterest expense	**2,338**	2,190
Income before income taxes	**3,397**	3,611
Provision for income taxes	**5**	5
Net income	**3,392**	3,606
COMPREHENSIVE INCOME		
Amortization of retirement costs	**14**	21
Total comprehensive income	**$ 3,406**	$ 3,627

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, 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
Balance at December 31, 2018	$ 862	$ 161,486	$ (285)	$ 162,063
Comprehensive income		3,392	14	3,406
Stock issued	10			10
Stock retired	(12)			(12)
Balance at March 31, 2019	**$ 860**	**$ 164,878**	**$ (271)**	**$ 165,467**

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, 2018, are contained in the 2018 Annual Report to Shareholders. These unaudited first quarter 2019 financial statements should be read in conjunction with the 2018 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, 2018, as contained in the 2018 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, 2019. Descriptions of the significant accounting policies are included in the 2018 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. The Association early adopted the removal and modified disclosures during the fourth quarter of 2018.

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 became effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The adoption of this guidance did not impact the Association’s financial condition and results of operations.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows.

	March 31, 2019	December 31, 2018
Real estate mortgage	**$ 373,182**	$ 378,619
Production and intermediate-term	**148,791**	158,114
Agribusiness	**113,127**	102,086
Rural Infrastructure	**37,776**	36,846
Agricultural export finance	**3,990**	3,989
Total Loans	**$ 676,866**	$ 679,654

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, 2019:

	Other Farm Credit Institutions	
	Purchased	Sold
Real estate mortgage	$ 26,447	$ 33,059
Production and intermediate-term	32,940	8,911
Agribusiness	108,686	-
Rural infrastructure	37,776	-
Agricultural export finance	3,990	-
Total	$ 209,839	$ 41,970

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality.
- Other assets especially mention (OAEM) – assets are currently collectible but exhibit some potential weakness.
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan.
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable.
- Loss – assets are considered uncollectible.

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, 2019	December 31, 2018
Real estate mortgage		
Acceptable	**84.58%**	84.32%
OAEM	**10.43%**	7.38%
Substandard	**4.99%**	8.30%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**81.05%**	81.26%
OAEM	**9.16%**	9.45%
Substandard	**9.79%**	9.29%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**96.72%**	97.06%
OAEM	**1.36%**	0.86%
Substandard	**1.92%**	2.08%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**96.42%**	97.04%
OAEM	**1.49%**	2.96%
Substandard	**2.09%**	-
Total	**100.00%**	100.00%
Agricultural export finance		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**86.56%**	86.28%
OAEM	**8.09%**	6.61%
Substandard	**5.35%**	7.11%
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:

	March 31, 2019	December 31, 2018
Nonaccrual loans		
Real estate mortgage	**$ 1,796**	$ 1,816
Agribusiness	**1,487**	1,421
Total nonaccrual loans	**$ 3,283**	$ 3,237
Total high risk assets	**$ 3,283**	$ 3,237

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:

	March 31, 2019			December 31, 2018		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with a related allowance for credit losses:						
Agribusiness	**$ 421**	**$ 433**	**$ 135**	$ 337	$ 342	$ 106
Total	**$ 421**	**$ 433**	**$ 135**	$ 337	$ 342	$ 106
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 1,796**	**$ 1,992**		$ 1,816	$ 1,992	
Agribusiness	**1,066**	**1,108**		1,084	1,108	
Total	**$ 2,862**	**$ 3,100**		$ 2,900	$ 3,100	
Total impaired loans:						
Real estate mortgage	**$ 1,796**	**$ 1,992**	**$ -**	$ 1,816	$ 1,992	$ -
Agribusiness	**1,487**	**1,541**	**135**	1,421	1,451	106
Total	**$ 3,283**	**$ 3,533**	**$ 135**	$ 3,237	$ 3,443	$ 106

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, 2019		For the Three Months Ended March 31, 2018	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Agribusiness	**$ 368**	**$ -**	$ -	$ -
Total	**$ 368**	**$ -**	$ -	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 1,808**	**$ -**	$ 2,786	$ 19
Production and intermediate-term	**-**	**-**	229	2
Agribusiness	**1,078**	**-**	1,256	-
Total	**$ 2,886**	**$ -**	$ 4,271	$ 21
Total impaired loans:				
Real estate mortgage	**$ 1,808**	**$ -**	$ 2,786	$ 19
Production and intermediate-term	**-**	**-**	229	2
Agribusiness	**1,446**	**-**	1,256	-
Total	**$ 3,254**	**$ -**	$ 4,271	$ 21

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

March 31, 2019	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	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ -	$ -	$ -	$ 379,097	$ 379,097	$ -
Production and intermediate-term	1,270	-	1,270	149,893	151,163	-
Agribusiness	-	719	719	112,827	113,546	-
Rural infrastructure	-	-	-	37,945	37,945	-
Agricultural export finance	-	-	-	4,005	4,005	-
Total	$ 1,270	$ 719	$ 1,989	$ 683,767	$ 685,756	$ -

December 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	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ -	$ -	$ -	$ 385,609	$ 385,609	$ -
Production and intermediate-term	2,778	-	2,778	158,020	160,798	-
Agribusiness	44	733	777	101,625	102,402	-
Rural infrastructure	-	-	-	36,970	36,970	-
Agricultural export finance	-	-	-	4,005	4,005	-
Total	$ 2,822	$ 733	$ 3,555	$ 686,229	$ 689,784	$ -

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

	Balance at December 31, 2018	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2019
Real estate mortgage	$ 1,132	$ -	$ -	$ (92)	$ 1,040
Production and intermediate-term	750	1	4	4	757
Agribusiness	683	-	-	48	731
Rural infrastructure	208	-	-	17	225
Agricultural export finance	17	-	-	(1)	16
Total	$ 2,790	$ 1	$ 4	$ (24)	$ 2,769

	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

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	
	2019	2018
Balance at beginning of period	**$ 337**	$ 426
Provision for unfunded commitments	**127**	111
Total	**$ 464**	$ 537

Additional information on the allowance for credit losses follows:

	Allowance for Credit Losses Ending Balance at March 31, 2019		Recorded Investments in Loans Outstanding Ending Balance at March 31, 2019	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 1,040	$ 1,796	$ 377,301
Production and intermediate-term	-	757	-	151,163
Agribusiness	135	596	1,487	112,059
Rural infrastructure	-	225	-	37,945
Agricultural export finance	-	16	-	4,005
Total	$ 135	$ 2,634	$ 3,283	$ 682,473

	Allowance for Credit Losses Ending Balance at December 31, 2018		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2018	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 1,132	$ 1,816	$ 383,793
Production and intermediate-term	-	750	-	160,798
Agribusiness	106	577	1,421	100,981
Rural infrastructure	-	208	-	36,970
Agricultural export finance	-	17	-	4,005
Total	$ 106	$ 2,684	$ 3,237	$ 686,547

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

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

	For the Three Months Ended			
	March 31, 2019		March 31, 2018	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:				
Agribusiness	$ 436	$ 436	$ -	$ -
Total	$ 436	$ 436	$ -	$ -

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

The Association had no TDRs within the previous 12 months and for which there were subsequent payment defaults during the first three months of 2019 and 2018. There were no additional commitments to lend to borrowers whose loans have been modified in troubled debt restructuring at March 31, 2019 and December 31, 2018.

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

	Loans modified as TDRs		TDRs in Nonaccrual Status*	
	March 31, 2019	December 31, 2018	**March 31, 2019**	December 31, 2018
Agribusiness	**$ 436**	$ 451	**$ 436**	$ 451
Total	**$ 436**	$ 451	**$ 436**	$ 451

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

NOTE 3 - CAPITAL

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

	As of March 31, 2019	As of December 31, 2018	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	18.81%	18.47%	4.5%	2.5%*	7.0%
Tier 1 capital ratio	18.81%	18.47%	6.0%	2.5%*	8.5%
Total capital ratio	19.22%	18.87%	8.0%	2.5%*	10.5%
Permanent capital ratio	18.88%	18.53%	7.0%	-	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	20.52%	20.09%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	21.01%	20.56%	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	
	2019	2018
Pension and other benefit plans:		
Beginning balance	**$ (285)**	$ (390)
Amounts reclassified from accumulated other comprehensive loss	**14**	21
Net current period other comprehensive income	**14**	21
Ending balance	**$ (271)**	$ (369)

The following table represents reclassifications out of accumulated other comprehensive loss.

	Amount Reclassified from Accumulated Other Comprehensive Loss		Location of Gain/Loss Recognized in Statement of Income
	For the Three Months Ended March 31		
	2019	2018	
Pension and other benefit plans:			
Net actuarial loss	**$ 14**	$ 21	Salaries and employee benefits
Total reclassifications	**$ 14**	$ 21	

NOTE 4 - 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 2018 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, 2019	**$ 785**	**$ -**	**$ -**	**$ 785**
December 31, 2018	$ 903	$ -	$ -	$ 903

The Association had no liabilities measured at fair value on a recurring basis at March 31, 2019 or December 31, 2018.

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

	Fair Value Measurement Using			**Total Fair Value**
	Level 1	**Level 2**	**Level 3**	
March 31, 2019				
Loans	**$ -**	**$ -**	**$ 286**	**$ 286**
December 31, 2018				
Loans	$ -	$ -	$ 232	$ 232

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 takes into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

The Association had no liabilities measured at fair value on a non-recurring basis at March 31, 2019 or December 31, 2018.

Valuation Techniques

As more fully discussed in Note 2 to the 2018 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. The fair value of these loans would fall under Level 2 hierarchy if the process uses independent appraisals and other market-based information.

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 3, 2019, which is the date the financial statements were issued, and no material subsequent events were identified.