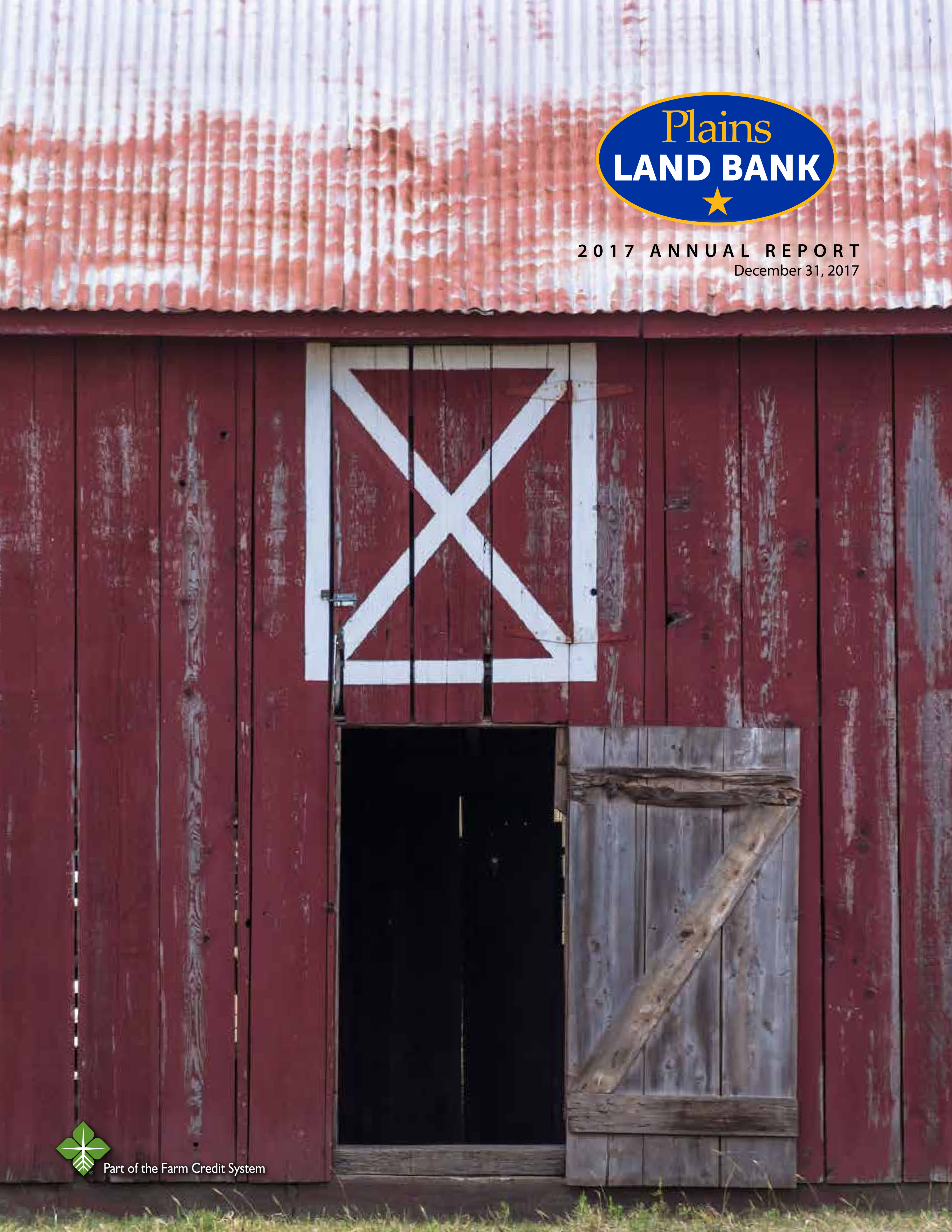

Plains LAND BANK

2017 ANNUAL REPORT

December 31, 2017

Part of the Farm Credit System

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REPORT OF MANAGEMENT

The financial statements of Plains Land Bank, FLCA (Association) are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Other financial information included in the annual report is consistent with that in the financial statements.

To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' and the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The financial statements are audited by PricewaterhouseCoopers LLP, independent accountants, who also conduct a review of internal controls to the extent necessary to comply with auditing standards solely for the purpose of establishing a basis for reliance thereon in determining the nature, extent and timing of audit tests applied in the audit of the financial statements in accordance with auditing standards generally accepted in the United States of America. The Association is also examined by the Farm Credit Administration.

The board of directors has overall responsibility for the Association's systems of internal control and financial reporting. The board consults regularly with management and reviews the results of the audits and examinations referred to previously.

The undersigned certify that we have reviewed this annual report, that it has been prepared in accordance with all applicable statutory and regulatory requirements, and that the information contained herein is true, accurate and complete to the best of our knowledge or belief.

Greggory S. Lloyd, Chief Executive Officer
March 14, 2018

Don James, Chairman, Board of Directors
March 14, 2018

Kay Lynn McLaughlin, Chief Financial Officer
March 14, 2018

REPORT OF AUDIT COMMITTEE

The Audit Committee (committee) is composed of the entire board of directors of Plains Land Bank, FLCA. In 2017, ten committee meetings were held. The committee oversees the scope of Plains Land Bank, FLCA's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The committee's approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on Plains Land Bank, FLCA's website. The committee approved the appointment of PricewaterhouseCoopers LLP (PwC) for 2017.

Management is responsible for Plains Land Bank, FLCA's internal controls and the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. The financial statements are prepared under the oversight of the committee. PwC is responsible for performing an independent audit of Plains Land Bank, FLCA's financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The committee's responsibilities include monitoring and overseeing these processes.

In this context, the committee reviewed and discussed Plains Land Bank, FLCA's audited financial statements for the year ended December 31, 2017 (audited financial statements) with management and PwC. The committee also reviews with PwC the matters required to be discussed by authoritative guidance "The Auditor's Communication With Those Charged With Governance," and both PwC's and Plains Land Bank, FLCA's internal auditors directly provide reports on significant matters to the committee.

The committee discussed with PwC its independence from Plains Land Bank, FLCA. The committee also reviewed the nonaudit services provided by PwC and concluded that these services were not incompatible with maintaining the independent accountant's independence. The committee has discussed with management and PwC such other matters and received such assurances from them as the committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the committee recommended that the board of directors include the audited financial statements in Plains Land Bank, FLCA's Annual Report to Stockholders for the year ended December 31, 2017.

Audit Committee Members

Walter (Rusty) Henson, Chairman of the Audit Committee
Daniel L. Krienke
Don James
Perry Kirkland
Lyle Miller
Mallory Kay Vestal, Ph.D.
Steve Rader
Tim Stedje
Dennis Babcock
Randy D. Darnell
Lea A. Stukey, CPA

March 14, 2018

PLAINS LAND BANK, FLCA

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2017	2016	2015	2014	2013
Balance Sheet Data					
Assets					
Cash	**$ 4,284**	$ 3,649	$ 3,334	$ 3,117	$ 2,034
Loans	**578,710**	529,303	494,673	446,892	417,163
Less: allowance for loan losses	**1,903**	1,797	1,609	1,311	1,555
Net loans	**576,807**	527,506	493,064	445,581	415,608
Investment in and receivable from the Farm Credit Bank of Texas	**9,185**	8,591	7,555	6,956	6,275
Other property owned, net	**-**	-	60	60	1,070
Other assets	**13,347**	11,577	10,041	8,068	6,828
Total assets	**$ 603,623**	$ 551,323	$ 514,054	$ 463,782	$ 431,815
Liabilities					
Obligations with maturities of one year or less	**$ 2,601**	$ 3,247	$ 1,764	$ 2,922	$ 1,582
Obligations with maturities greater than one year	**483,751**	437,163	405,896	360,166	337,861
Total liabilities	**486,352**	440,410	407,660	363,088	339,443
Members' Equity					
Capital stock and participation certificates	**1,912**	1,837	1,808	1,731	1,683
Unallocated retained earnings	**115,313**	108,941	104,450	99,034	90,547
Accumulated other comprehensive income (loss)	**46**	135	136	(71)	142
Total members' equity	**117,271**	110,913	106,394	100,694	92,372
Total liabilities and members' equity	**$ 603,623**	$ 551,323	$ 514,054	$ 463,782	$ 431,815
Statement of Income Data					
Net interest income	**$ 15,984**	$ 14,574	$ 15,102	$ 12,772	$ 11,593
(Provision for loan losses) or loan loss reversal	**(99)**	(269)	(298)	252	178
Income from the Farm Credit Bank of Texas	**2,027**	1,944	1,761	1,648	1,529
Other noninterest income	**234**	330	470	1,858	150
Noninterest expense	**(5,771)**	(5,338)	(4,620)	(3,792)	(3,535)
Net income	**$ 12,375**	$ 11,241	$ 12,415	$ 12,738	$ 9,915
Key Financial Ratios for the Year					
Return on average assets	**2.1%**	2.1%	2.5%	2.9%	2.4%
Return on average members' equity	**11.7%**	10.7%	12.0%	13.6%	11.4%
Net interest income as a percentage of average earning assets	**2.9%**	2.8%	3.2%	2.9%	2.9%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.0%	0.0%	0.0%	0.1%

PLAINS LAND BANK, FLCA

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2017	2016	2015	2014	2013
Key Financial Ratios at Year End					
Members' equity as a percentage of total assets	**19.4%**	20.1%	20.7%	21.7%	21.4%
Debt as a percentage of members' equity	**414.7%**	397.1%	383.2%	360.6%	367.5%
Allowance for loan losses as a percentage of loans	**0.3%**	0.3%	0.3%	0.3%	0.4%
Permanent capital ratio	**17.2%**	17.9%	18.7%	19.6%	19.3%
Net Income Distribution					
Cash dividends paid	**$ 6,003**	$ 6,750	$ 7,000	$ 4,250	$ 4,250

* Effective January 1, 2017 the new regulatory capital ratios were implemented by the Association. Regulatory ratios remained well above regulatory minimums, including the conservation and leverage buffers at December 31, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Unaudited)

The following commentary explains management's assessment of the principal aspects of the financial condition and results of operations of Plains Land Bank, FLCA (Association) for the years ended December 31, 2017, 2016 and 2015, and should be read in conjunction with the accompanying financial statements. The accompanying financial statements were prepared under the oversight of the Association's audit committee.

Forward-Looking Information:

This annual information statement contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," "will" or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international and farm-related business sectors;
- weather-related, disease-related and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry; and
- actions taken by the Federal Reserve System in implementing monetary policy.

Significant Events:

The board of directors declared a patronage of $7,100,000 in January 2018 to be distributed to stockholders in March of 2018.

In December 2017, the Association received a direct loan patronage of $1,805,044 from the Farm Credit Bank of Texas (Bank), representing 39 basis points on the average daily balance of the Association's direct loan with the Bank. During 2017, the Association received $212,864 in patronage payments from the Bank, based on the Association's stock investment in the Bank.

In January 2017, a patronage of $6,000,000 was declared. This patronage was subsequently paid in March 2017.

In 2010, the Association, through a purchased participation as a part of a lending group, acquired a small percentage ownership interest in an ethanol plant. In August 2014, the Association sold its equity interest in the ethanol plant. The total sales price of the Association's equity interest was $2,705,200 and resulted in a gain on sale of $1,694,808. The Association expects to incur attorney's fees associated with this transaction; however, an estimate of those fees is not yet known.

For more than 100 years, the Association has continued to provide its members with quality financial services. The board of directors and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, LIBOR-based and prime-based interest rates. Loan maturities range from one to 30 years, with annual operating loans comprising the majority of the commercial loans and 15- to 20-year maturities comprising the majority of the mortgage loans. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

The composition of the Association's loan portfolio, including principal less funds held of $578,709,630, $529,302,933 and $494,673,008 as of December 31, 2017, 2016 and 2015, respectively, is described more fully in detailed tables in Note 3 to the financial statements, "Loans and Allowance for Loan Losses" included in this annual report.

Purchase and Sales of Loans:

During 2017, 2016 and 2015, the Association was participating in loans with other lenders. As of December 31, 2017, 2016 and 2015, these participations totaled $75,525,294, $77,162,496 and $82,545,598, or 13.1 percent, 14.6 percent and 16.7 percent of loans, respectively. Included in these amounts are participations purchased from System entities outside the District of $1,105,092, $1,299,111 and $1,485,010, or 0.2 percent, 0.2 percent and 0.3 percent of loans, respectively. As of December 31, 2017, there were participations purchased from non-farm credit institutions of $4,423,216, or 0.8 percent of loans. There were no participations purchased from non-farm credit institutions as of December 31, 2016 and 2015. The Association has also sold participations of $8,555,348, $3,890,993 and $4,185,619 as of December 31, 2017, 2016 and 2015, respectively.

Risk Exposure:

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned, net.

The following table illustrates the Association's components and trends of high-risk assets serviced for the prior three years as of December 31:

	2017		2016		2015	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual	**$ 3,264,884**	**100.0%**	$ 3,261,163	88.3%	$ -	0.0%
90 days past due and still accruing interest	**-**	**0.0%**	431,464	11.7%	-	0.0%
Other property owned, net	**-**	**0.0%**	-	0.0%	59,711	100.0%
Total	**$ 3,264,884**	**100.0%**	$ 3,692,627	100.0%	$ 59,711	100.0%

At December 31, 2017, 2016 and 2015, loans that were considered impaired were $3,264,884, $3,692,627 and $0, representing 0.6 percent, 0.7 percent and 0.0 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net.

Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, the Association is not affected by any seasonal characteristics. The factors affecting the operations of the Association are the same factors that would affect any agricultural real estate lender.

Allowance for Loan Losses:

The following table provides relevant information regarding the allowance for loan losses as of, or for the year ended, December 31:

	2017	2016	2015
Allowance for loan losses	**$ 1,902,504**	$ 1,797,569	$ 1,609,071
Allowance for loan losses to total loans	**0.3%**	0.3%	0.3%
Allowance for loan losses to nonaccrual loans	**58.3%**	55.1%	0.0%
Allowance for loan losses to impaired loans	**58.3%**	48.7%	0.0%
Net charge-offs to average loans	**0.0%**	0.0%	0.0%

The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management may consider other qualitative factors in determining and supporting the level of allowance for loan losses including but not limited to: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects, borrower repayment capacity, depth of lender staff, and/or past trends, and weather-related influences.

Based upon ongoing risk assessment and the allowance for loan losses procedures outlined above, the allowance for loan losses of $1,902,504, $1,797,569 and $1,609,071 at December 31, 2017, 2016 and 2015, respectively, is considered adequate by management to compensate for inherent losses in the loan portfolio at such dates. Allowance coverage is adequate due to the Association's allowance methodology, historical loss history, and first lien real estate.

Results of Operations:

The Association's net income for the year ended December 31, 2017, was $12,374,604 as compared to $11,240,788 for the year ended December 31, 2016, reflecting an increase of $1,133,816, or 10.1 percent. The Association's net income for the year ended December 31, 2015 was $12,415,492. Net income decreased $1,174,704, or 9.5 percent, in 2016 versus 2015.

Net interest income for 2017, 2016 and 2015 was $15,984,354, $14,574,139 and $15,102,149, respectively, reflecting an increase of $1,410,215, or 9.7 percent, for 2017 versus 2016 and a decrease of $528,010, or 3.5 percent, for 2016 versus 2015. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2017		2016		2015	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 558,173,480**	**$ 27,555,954**	$ 523,169,302	$ 24,557,426	$ 468,520,799	$ 23,947,644
Interest-bearing liabilities	**463,084,343**	**11,571,600**	431,966,263	9,983,287	381,612,608	8,845,495
Impact of capital	**$ 95,089,137**		$ 91,203,039		$ 86,908,191	
Net interest income		**$ 15,984,354**		$ 14,574,139		$ 15,102,149

	2017 Average Yield	2016 Average Yield	2015 Average Yield
Yield on loans	**4.94%**	4.69%	5.11%
Cost of interest-bearing liabilities	**2.50%**	2.31%	2.32%
Interest rate spread	**2.44%**	2.38%	2.79%

	2017 vs. 2016			2016 vs. 2015		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ 1,643,096**	**$ 1,355,432**	**$ 2,998,528**	$ 2,793,249	$ (2,183,467)	$ 609,782
Interest expense	**719,170**	**869,143**	**1,588,313**	1,167,147	(29,355)	1,137,792
Net interest income	**$ 923,926**	**$ 486,289**	**$ 1,410,215**	$ 1,626,102	$ (2,154,112)	$ (528,010)

Interest income for 2017 increased by $2,998,528, or 12.2 percent, compared to 2016, primarily due to an increase in average loan volume. Interest expense for 2017 increased by $1,588,313, or 15.9 percent, compared to 2016 due to an increase in average loan volume. The interest rate spread increased by 6 basis points to 2.44 percent in 2017 from 2.38 percent in 2016, primarily due to a market increase in the mix of loan products. The interest rate spread decreased by 41 basis points to 2.38 percent in 2016 from 2.79 percent in 2015, due to the collection of non-accrual interest. The Association offers a number of different interest rate programs including fixed rate products lasting for a set period up to the term of a loan, products indexed to prime or LIBOR, and a variety of adjustable interest rate products. The Association's control over interest rate margins resides in its ability to add a spread over cost of funds, the goal of which is to achieve an acceptable level of revenue to fund operations and generate a return for shareholders.

Noninterest income for 2017 decreased by $13,405, or 0.6 percent, compared to 2016, due primarily to a gain on sales of premises and equipment in 2016 that was not earned again in 2017. Noninterest income for 2016 increased by $41,891, or 1.9 percent, compared to 2015, due primarily to an increase in Bank patronage.

Provisions for loan losses decreased by $169,539, or 63.1 percent, compared to 2016, due primarily to a positive shift in risk ratings.

Operating expenses consist primarily of salaries, employee benefits and purchased services. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others. In 2017, operating expenses increased $432,533, or 8.1 percent, compared to 2016 primarily due to an increase in salaries and employee benefits of $305,673, an increase in public and member relations of $64,084, and an increase in purchased services of $60,965. In 2016, operating expenses increased $717,900, or 15.5 percent, compared to 2015 primarily due to an increase in salaries and employee benefits of $260,071, an increase in insurance fund premiums of $227,227, and an increase in advertising of $70,666. In 2017, the $432,533 increase in operating expenses included a decrease of $30,831 in premiums to the Insurance Fund, resulting from a decrease in the premium rates.

Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in the capitalization of $435,796 in origination costs for 2017, which will be amortized over the life of the loans as an adjustment to yield in net interest income. The capitalized costs consisted of salaries and benefits totaling $638,421 less net operating expense of $202,625 for 2017 related to the origination of loans.

For the year ended December 31, 2017, the Association's return on average assets was 2.1 percent, as compared to 2.1 percent and 2.5 percent for the years ended December 31, 2016 and 2015, respectively. For the year ended December 31, 2017, the Association's return on average members' equity was 11.7 percent, as compared to 10.7 percent and 12.0 percent for the years ended December 31, 2016 and 2015, respectively.

Because the Association depends on the Bank for funding, any significant positive or negative factors affecting the operations of the Bank may have an effect on the operations of the Association.

Liquidity and Funding Sources:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process.

The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $482,671,262, $436,304,583 and $405,094,363 as of December 31, 2017, 2016 and 2015, respectively, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 2.4 percent, 2.3 percent and 2.3 percent at December 31, 2017, 2016 and 2015, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2016, is due to increased funding needs as evidenced by an increase in total assets from 2016 to 2017. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $95,735,978, $92,889,631 and $89,536,394 at December 31, 2017, 2016 and 2015, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2017, was $586,274,300 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2020, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances, to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 2018. As borrower payments are received, they are applied to the Association's note payable to the Bank.

The Association will continue to fund its operations through direct borrowings from the Bank, capital surplus from prior years and borrower stock. It is management's opinion that funds available to the Association are sufficient to fund its operations for the coming year.

Capital Resources:

The Association's capital position remains strong, with total members' equity of $117,271,080, $110,913,183 and $106,393,707 at December 31, 2017, 2016 and 2015, respectively.

New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. The permanent capital ratio measures available at-risk capital relative to risk-adjusted assets and off-balance-sheet contingencies. Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The ratio is an indicator of the institution's financial capacity to absorb potential losses beyond that provided in the allowance for loss accounts. The Association's permanent capital ratio at December 31, 2017, 2016 and 2015 was 17.2 percent, 17.9 percent and 18.7 percent, respectively. Under the new regulations, the association is required to maintain a minimum common equity tier 1 (CET1), tier 1 capital, and total capital ratios of 4.5 percent, 6.0 percent, and 8.0 percent, along with a capital conservation buffer of 2.5 percent applicable to each ratio, respectively. The 2.5 percent capital conservation buffer will be phased in over a three year period ending on December 31, 2019. The Association's common equity tier 1 ratio was 17.1 percent, tier 1 capital ratio was 17.1 percent, and total capital ratio was 17.4 percent at December 31, 2017. Under the new regulations, the Association is required to maintain a minimum tier 1 leverage ratio of 4.0 percent, along with a leverage buffer of 1.0 percent, and a minimum unallocated retained earnings equivalents (UREE) leverage ratio of 1.5 percent. The Association's tier 1 leverage ratio was 17.7 and UREE leverage ratio was 18.9 at December 31, 2017. The CET1 capital ratio is an indicator of the institution's highest quality of capital and consists of unallocated retained earnings, qualifying common cooperative equities (CCEs) that meet the required holding periods, and paid-in capital. The tier 1 capital ratio is a measure of the institution's quality of capital and financial strength. The total capital ratio is supplementary to the tier 1 capital ratio, the components of which include qualifying CCEs subject to certain holding periods, third-party capital subject to certain holding periods and limitations, and allowance and reserve for credit losses subject to certain limitations. The tier 1 leverage ratio is used to measure the amount of leverage an institution has incurred against its capital base, of which at least 1.5 percent must be unallocated retained earnings (URE) and URE equivalents. This is the UREE leverage ratio.

Prior to January 1, 2017, the core surplus ratio measured available core surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio was an indicator of the quality of capital that exists to maintain stable earnings and financial strength. The Association's core surplus ratio at December 31, 2016 and 2015 was 17.5 percent and 18.3 percent, respectively, which was in compliance with the FCA's minimum ratio requirement of 3.5 percent. The total surplus ratio measured available surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio was an indicator of the reserves existing to protect borrowers' investments in the Association. The Association's total surplus ratio at

December 31, 2016 and 2015 was 17.5 percent and 18.3 percent, respectively, which was in compliance with the FCA's minimum ratio requirement of 7.0 percent.

Refer to Note 9, to the Financial statements, "Members' Equity" for additional information related to our capital and related requirements and restrictions.

Significant Recent Accounting Pronouncements:

In August 2017, the Financial Accounting Standards Board (FASB) issued guidance entitled "Targeted Improvements to Accounting for Hedging Activities." The guidance better aligns an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments in this guidance require an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. This guidance also addresses the timing of effectiveness testing, qualitative and quantitative effectiveness testing and components that can be excluded from effectiveness testing. This guidance becomes effective for interim and annual periods beginning after December 15, 2018. The Association is evaluating the impact of adoption on the Association's financial condition and its 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 is not expected to impact the Association's financial condition but could change the classification of certain items in the 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 is not expected to impact the Association's financial condition or its results of operations but could change the classification of certain items in the statement of cash flows.

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 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 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. In this regard, a majority of our contracts would be excluded from the scope of this new guidance. In August 2015, the FASB issued an update that defers this guidance by one year, which results in the new revenue standard becoming effective for interim and annual reporting periods beginning after December 15, 2017. The Association determined the effect was not material to its financial condition or results of operations and will not change its current recognition practices.

Regulatory Matters:

At December 31, 2017, the Association was not under written agreements with the Farm Credit Administration.

On July 28, 2016, the Farm Credit Administration published a final regulation to modify the regulatory capital requirements for System banks and associations. The stated objectives of the proposed rule were as follows:

- To modernize capital requirements while ensuring that the institutions continue to hold sufficient regulatory capital to fulfill their mission as a government-sponsored enterprise,
- To ensure that the System’s capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System,
- To make System regulatory capital requirements more transparent and
- To meet the requirements of section 939A of the Dodd-Frank Act.

The final rule replaces existing core surplus and total surplus requirements with common equity tier 1, tier 1 and total capital risk-based capital ratio requirements. The final rule also replaces the existing net collateral ratio with a tier 1 leverage ratio and is applicable to all banks and associations. The permanent capital ratio will continue to remain in effect with the final rule.

The new capital requirements became effective January 1, 2017, with a three-year phase-in of the capital conservation buffer applied to the risk-adjusted capital ratios. The Association is in compliance with the required minimum capital standards and met the conservation buffers as of December 31, 2017.

On June 12, 2014, the Farm Credit Administration approved a proposed rule to revise the requirements governing the eligibility of investments for System banks and associations. The stated objectives of the proposed rule are as follows:

- To strengthen the safety and soundness of System banks and associations,
- To ensure that System banks hold sufficient liquidity to continue operations and pay maturing obligations in the event of market disruption,
- To enhance the ability of the System banks to supply credit to agricultural and aquatic producers,
- To comply with the requirements of section 939A of the Dodd-Frank Act,
- To modernize the investment eligibility criteria for System banks, and
- To revise the investment regulation for System associations to improve their investment management practices so they are more resilient to risk.

The public comment period ended on October 23, 2014. FCA anticipates release of a final rule in the first quarter of 2018.

New U.S. tax laws resulting from legislation commonly known as the Tax Cuts and Jobs Acts of 2017 (TCJA) were enacted in late 2017. Among other things, the TCJA changed the federal corporate tax rate from 35 percent to 21 percent. The bank is exempt from federal and certain other income taxes as provided by the Farm Credit Act; however, the change in the federal corporate tax rate will have a financial statement impact for year-end 2017 for district associations that will require the revaluation of any deferred taxes (assets or liabilities), which will result in either a tax expense or tax benefit to the income statement. While the full impact of the TCJA is difficult to predict and may not be fully known for several years, changes that could affect the associations’ business and customers include, but are not limited to, modifications to deductions surrounding interest expense and equipment purchases, tax incentives related to renewable energy initiatives, deductions impacting agricultural producers who sell their products to cooperatives and the overall changes in the competitive environment impacting financial institutions.

In 2017, 2016 and 2015, the Association paid patronage distributions of $6,002,500, $6,750,000 and $7,000,000, respectively. See Note 9 to the financial statements, “Members’ Equity,” included in this annual report, for further information.

Relationship with the Bank:

The Association’s statutory obligation to borrow only from the Bank is discussed in Note 8 to the financial statements, “Note Payable to the Bank,” included in this annual report.

The Bank’s ability to access capital of the Association is discussed in Note 2 to the financial statements, “Summary of Significant Accounting Policies,” included in this annual report, within the section “Capital Stock Investment in the Farm Credit Bank of Texas.”

The Bank’s role in mitigating the Association’s exposure to interest rate risk is described in the section “Liquidity and Funding Sources” of Management’s Discussion and Analysis and in Note 8 to the financial statements, “Note Payable to the Bank,” included in this annual report.

The Bank provides computer systems to support the critical operations of all District associations. In addition, each association has operating systems and facility-based systems that are not supported by the Bank. As disclosed in Note 11 to the financial statements, “Related Party Transactions,” included in this annual report, the Bank provides many services that the Association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, the Bank bills District expenses to the associations, such as the Farm Credit System Insurance Corporation insurance premiums.

Summary:

Over the past 100 years, regardless of the state of the agricultural economy, your Association’s board of directors and management, as well as the board of directors and management of the Bank, have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this Association.

Report of Independent Auditors

To the Board of Directors of Plains Land Bank, FLCA

We have audited the accompanying consolidated financial statements of Plains Land Bank, FLCA and its subsidiaries (the Association), which comprise the consolidated balance sheets as of December 31, 2017, December 31, 2016 and December 31, 2015, and the related consolidated statements of comprehensive income, changes in members' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Plains Land Bank, FLCA and their subsidiaries as of December 31, 2017, December 31, 2016 and December 31, 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 14, 2018

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PLAINS LAND BANK, FLCA

BALANCE SHEET

	December 31,		
	2017	2016	2015
Assets			
Cash	**$ 4,284,273**	$ 3,649,379	$ 3,333,619
Loans	**578,709,630**	529,302,933	494,673,008
Less: allowance for loan losses	**1,902,504**	1,797,569	1,609,071
Net loans	**576,807,126**	527,505,364	493,063,937
Accrued interest receivable	**10,466,179**	9,195,274	7,682,548
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**9,176,475**	8,591,100	7,554,685
Other	**9,012**	-	-
Other property owned, net	**-**	-	59,711
Premises and equipment	**2,325,509**	1,822,518	1,777,488
Other assets	**554,606**	559,598	582,251
Total assets	**$ 603,623,180**	$ 551,323,233	$ 514,054,239
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 482,671,262**	$ 436,304,583	$ 405,094,363
Accrued interest payable	**1,079,397**	858,809	802,213
Drafts outstanding	**293,669**	1,129,034	48,000
Other liabilities	**2,307,772**	2,117,624	1,715,956
Total liabilities	**486,352,100**	440,410,050	407,660,532
Members' Equity			
Capital stock and participation certificates	**1,912,255**	1,837,220	1,807,680
Unallocated retained earnings	**115,313,174**	108,941,070	104,450,282
Accumulated other comprehensive income	**45,651**	134,893	135,745
Total members' equity	**117,271,080**	110,913,183	106,393,707
Total liabilities and members' equity	**$ 603,623,180**	$ 551,323,233	$ 514,054,239

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

PLAINS LAND BANK, FLCA

STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2017	2016	2015
Interest Income			
Loans	**$ 27,555,954**	$ 24,557,426	$ 23,947,644
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**11,571,600**	9,983,287	8,845,495
Net interest income	**15,984,354**	14,574,139	15,102,149
Provision for Loan Losses	**99,202**	268,741	298,056
Net interest income after provision for losses	**15,885,152**	14,305,398	14,804,093
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**2,026,919**	1,944,143	1,761,184
Loan fees	**146,736**	171,240	157,338
Financially related services income	**10,867**	11,736	12,355
Gain on sale of premises and equipment, net	**-**	74,619	220,718
Other noninterest income	**75,513**	71,702	79,954
Total noninterest income	**2,260,035**	2,273,440	2,231,549
Noninterest Expenses			
Salaries and employee benefits	**3,260,660**	2,954,987	2,694,916
Directors' expense	**224,480**	196,538	195,984
Purchased services	**385,425**	324,460	276,922
Travel	**122,598**	113,102	108,677
Occupancy and equipment	**308,394**	274,356	285,739
Communications	**56,199**	43,893	38,066
Advertising	**194,012**	192,652	121,986
Public and member relations	**157,022**	92,938	81,362
Supervisory and exam expense	**214,595**	194,263	155,310
Insurance Fund premiums	**691,443**	722,274	495,047
Loss on other property owned, net	**-**	59,711	-
Loss on sale of premises and equipment, net	**10,235**	-	-
Other noninterest expense	**145,520**	168,876	166,141
Total noninterest expenses	**5,770,583**	5,338,050	4,620,150
NET INCOME	**12,374,604**	11,240,788	12,415,492
Other comprehensive income:			
Change in postretirement benefit plans	**(89,242)**	(852)	206,871
COMPREHENSIVE INCOME	**$ 12,285,362**	$ 11,239,936	$ 12,622,363

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

PLAINS LAND BANK, FLCA

STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2014	$ 1,731,005	$ 99,034,790	$ (71,126)	$ 100,694,669
Comprehensive income	-	12,415,492	206,871	12,622,363
Capital stock/participation certificates issued	284,065	-	-	284,065
Capital stock/participation certificates and allocated retained earnings retired	(207,390)	-	-	(207,390)
Dividends declared	-	(7,000,000)	-	(7,000,000)
Balance at December 31, 2015	1,807,680	104,450,282	135,745	106,393,707
Comprehensive income	-	11,240,788	(852)	11,239,936
Capital stock/participation certificates issued	276,930	-	-	276,930
Capital stock/participation certificates and allocated retained earnings retired	(247,390)	-	-	(247,390)
Dividends declared	-	(6,750,000)	-	(6,750,000)
Balance at December 31, 2016	1,837,220	108,941,070	134,893	110,913,183
Comprehensive income	-	12,374,604	(89,242)	12,285,362
Capital stock/participation certificates issued	280,625	-	-	280,625
Capital stock/participation certificates and allocated retained earnings retired	(205,590)	-	-	(205,590)
Dividends declared	-	(6,002,500)	-	(6,002,500)
Balance at December 31, 2017	**$ 1,912,255**	**$ 115,313,174**	**$ 45,651**	**$ 117,271,080**

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

PLAINS LAND BANK, FLCA

STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income	**$ 12,374,604**	$ 11,240,788	$ 12,415,492
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**99,202**	268,741	298,056
Loss on sale of other property owned, net	**-**	59,711	-
Depreciation	**195,347**	202,868	165,910
Loss (gain) on sale of premises and equipment, net	**10,235**	(74,619)	(220,718)
Increase in accrued interest receivable	**(1,270,905)**	(1,512,726)	(1,290,718)
Increase in other receivables from the Farm Credit Bank of Texas	**(9,012)**	-	-
Decrease (increase) in other assets	**4,992**	22,653	(436,679)
Increase in accrued interest payable	**220,588**	56,596	85,740
Increase in other liabilities	**106,435**	320,573	111,278
Net cash provided by operating activities	**11,731,486**	10,584,585	11,128,361
Cash flows from investing activities:			
Increase in loans, net	**(49,406,697)**	(34,629,925)	(47,791,659)
Cash recoveries of loans previously charged off	**204**	-	-
Proceeds from purchase of investment in the Farm Credit Bank of Texas	**(585,375)**	(1,036,415)	(598,165)
Purchases of premises and equipment	**(749,738)**	(272,175)	(681,565)
Proceeds from sales of premises and equipment	**41,165**	98,896	500,788
Net cash used in investing activities	**(50,700,441)**	(35,839,619)	(48,570,601)

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

PLAINS LAND BANK, FLCA

STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2017	2016	2015
Cash flows from financing activities:			
Net draws on note payable to the Farm Credit Bank of Texas	**46,366,679**	31,210,220	45,645,176
(Decrease) increase in drafts outstanding	**(835,365)**	1,081,034	(1,062,493)
Issuance of capital stock and participation certificates	**280,625**	276,930	284,065
Retirement of capital stock and participation certificates	**(205,590)**	(247,390)	(207,390)
Cash dividends paid	**(6,002,500)**	(6,750,000)	(7,000,000)
Net cash provided by financing activities	**39,603,849**	25,570,794	37,659,358
Net increase in cash	**634,894**	315,760	217,118
Cash at the beginning of the year	**3,649,379**	3,333,619	3,116,501
Cash at the end of the year	**$ 4,284,273**	$ 3,649,379	$ 3,333,619
Supplemental cash information:			
Cash paid during the year for:			
Interest	**$ 11,351,012**	$ 9,983,287	$ 8,759,755

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

PLAINS LAND BANK, FLCA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Plains Land Bank, FLCA (Association), is a member-owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in the counties of Armstrong, Briscoe, Carson, Floyd, Gray, Hale, southwest portion of Hall, Hansford, Hemphill, Hutchinson, Lipscomb, Motley, Ochiltree, Oldham, Potter, Randall and Roberts in the state of Texas.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). At December 31, 2017, the System consisted of three Farm Credit Banks (FCBs) and their affiliated associations, one Agricultural Credit Bank (ACB) and its affiliated associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation) and various service and other organizations.

The Farm Credit Bank of Texas (Bank) and its related associations are collectively referred to as the "District." The Bank provides funding to all associations within the District and is responsible for supervising certain activities of the District associations. At December 31, 2017, the District consisted of the Bank, one FLCA and 13 ACA parent companies, which have two wholly-owned subsidiaries, an FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of System associations to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

The Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations, (2) to ensure the retirement of protected borrower capital at par or stated value and (3) for other specified purposes. The Insurance Fund is also available for the discretionary uses by the FCSIC of providing assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the "secure base amount," which is defined in the Act as 2.0 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or other such percentage of the aggregate obligations as the Insurance Corporation in its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the FCSIC is required to reduce premiums as necessary to maintain the Insurance Fund at the 2 percent level. As required by the Act, as amended, the FCSIC may return excess funds above the secure base amount to System institutions.

FCA regulations require borrower information to be held in strict confidence by Farm Credit institutions, their directors, officers and employees. Directors and employees of the Farm Credit institutions are prohibited, except under specified circumstances, from disclosing nonpublic personal information about members.

B. Operations: The Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services that can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related businesses. The Association makes and services secured long-term real estate mortgage loans, with funding from the Bank.

The Association also serves as an intermediary in offering credit life insurance.

The Association's financial condition may be affected by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect stockholders' investments in the Association. Upon request, stockholders of the Association will be provided with the Farm Credit Bank of Texas and District Associations' Annual Report to Stockholders, which includes the combined financial statements of the Bank and all of the District associations. The District's annual report discusses the material aspects of the financial condition, changes in financial condition, and results of operations for the Bank and the District. In addition, the District's annual report identifies favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Insurance Fund.

The lending and financial services offered by the Bank are described in Note 1A, "Organization and Operations," of the District's annual report to stockholders.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting and reporting policies of the Association conform to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results could differ from those estimates. Certain amounts in prior years' financial statements have been reclassified to conform to current financial statement presentation.

A. Recently Issued or Adopted Accounting Pronouncements:

In August 2017, the Financial Accounting Standards Board (FASB) issued guidance entitled "Targeted Improvements to Accounting for Hedging Activities." The guidance better aligns an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments in this guidance require an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. This guidance also addresses the timing of effectiveness testing, qualitative and quantitative effectiveness testing and components that can be excluded from effectiveness testing. This guidance becomes effective for interim and annual periods beginning after December 15, 2018. The Association is evaluating the impact of adoption on the Association's financial condition and its 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 is not expected to impact the Association's financial condition but could change the classification of certain items in the 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 is not expected to impact the Association's financial condition or its results of operations but could change the classification of certain items in the statement of cash flows.

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 becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance will 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. In this regard, a majority of our contracts would be excluded from the scope of this new guidance. In August 2015, the FASB issued an update that defers this guidance by one year, which results in the new revenue standard becoming effective for interim and annual reporting periods beginning after December 15, 2017. The Association determined the effect was not material to its financial condition or results of operations and will not change its current recognition practices.

B. Cash: Cash, as included in the statement of cash flows, represents cash on hand and on deposit at local banks.

C. Loans and Allowance for Loan Losses: Long-term real estate mortgage loans generally have original maturities ranging from five to 30 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and net deferred loan fees or costs. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. Authoritative accounting guidance requires loan origination fees and direct loan origination costs, if material, to be capitalized and the net fee or cost to be amortized over the life of the related loan as an adjustment to yield.

Impaired loans are loans for which it is probable that not all principal and interest will be collected according to the contractual terms of the loan and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. Impaired loans include nonaccrual loans, restructured loans, and loans past due 90 days or more and still accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest and penalty interest incurred as a result of past-due status, is collected or otherwise discharged in full.

Impaired loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection) or circumstances indicate that collection of principal and/or interest is in doubt. Additionally, all loans over 180 days past due are placed in nonaccrual status. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is either reversed (if accrued in the current year) or charged against the allowance for loan losses (if accrued in prior years). Loans are charged off at the time they are determined to be uncollectible.

A restructured loan constitutes a troubled debt restructuring (TDR) if for economic or legal reasons related to the debtor's financial difficulties the Association grants a concession to the debtor that it would not otherwise consider. A concession is generally granted in order to minimize the Association's economic loss and avoid foreclosure. Concessions vary by program and are borrower-specific and may include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. A loan restructured in a troubled debt restructuring is an impaired loan. There were no troubled debt restructured loans for the year ended December 31, 2017, 2016 or 2015.

Payments received on nonaccrual loans are generally applied to the recorded investment in the loan asset. If collection of the recorded investment in the loan is fully expected and the loan does not have a remaining unrecovered prior charge-off associated with it, the interest portion of payments is recognized as current interest income. Nonaccrual loans may be returned to accrual status when principal and interest are current, the borrower has demonstrated payment performance, there are no unrecovered prior charge-offs and collection of future payments is no longer in doubt. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer is first recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

The Bank and related associations use a two-dimensional loan rating model based on an internally generated combined System risk-rating guidance that incorporates a 14-point risk-rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated principal loss on a specific loan, assuming default has occurred or is expected to occur within the next 12 months.

Each of the probability of default categories carries a distinct percentage of default probability. The 14-point risk-rating scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows more rapidly as a loan moves from a "9" to other assets especially mentioned (OAEM) and grows significantly as a loan moves to a substandard (viable) level. A substandard (nonviable) rating indicates that the probability of default is almost certain.

The credit risk-rating methodology is a key component of the Association's allowance for loan losses evaluation, and is generally incorporated into its loan underwriting standards and internal lending limit. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management may consider other qualitative factors in determining and supporting the level of allowance for loan losses including but not limited to: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects, borrower repayment capacity, depth of lender staff, and/or past trends, and weather-related influences. The allowance for loan losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying security that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity will cause these various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the institutions' expectations and predictions of those circumstances.

The allowance for loan losses includes components for loans individually evaluated for impairment and loans collectively evaluated for impairment. Generally, for loans individually evaluated the allowance for loan losses represents the difference between the recorded investment in the loan and the present value of the cash flows expected to be collected discounted at the loan's effective interest rate, or at the fair value of the collateral, less estimated costs to sell, if the loan is collateral-dependent. For those loans collectively evaluated for impairment, the allowance for loan losses is determined using the risk-rating model.

D. Capital Stock Investment in the Farm Credit Bank of Texas: The Association's investment in the Bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the Association's proportional utilization of the Bank compared to other District associations. The Bank requires a minimum stock investment of 2 percent of the Association's average borrowing from the Bank. This investment is carried at cost plus allocated equities in the accompanying balance sheet.

If needed to meet regulatory capital adequacy requirements, the board of directors of the Bank may increase the percentage of stock held by an association from 2 percent of the average outstanding balance of borrowings from the Bank to a maximum of 5 percent of the average outstanding balance of borrowings from the Bank.

E. Other Property Owned, Net: Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, and is recorded at fair value less estimated selling costs upon acquisition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. On at least an annual basis, revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in net gains (losses) on other property owned in the statements of comprehensive income.

F. Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized.

G. Employee Benefit Plans: Employees of the Association participate in either the District defined benefit retirement plan (DB plan) or the defined contribution plan (DC plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. The DB plan is closed to new participants. Participants generally include employees hired prior to January 1, 1996. The DB plan is noncontributory and provides benefits based on salary and years of service. The "projected unit credit" actuarial method is used for financial reporting and funding purposes for the DB plan.

   Participants in the DC plan generally include employees who elected to transfer from the DB plan prior to January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC plan direct the placement of their employers' contributions, 5.0 percent of eligible pay for the year ended December 31, 2017, made on their behalf into various investment alternatives.

   The structure of the District's DB plan is characterized as multi-employer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The Association recognized pension costs for the DC plan of $93,749, $84,360 and $74,916 for the years ended December 31, 2017, 2016 and 2015 respectively. For the DB plan, the Association recognized pension costs of $545,386, $388,831 and $328,880 for the years ended December 31, 2017, 2016 and 2015, respectively.

   The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100 percent of employee contributions up to 3.0 percent of eligible earnings and to match 50 percent of employee contributions for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were $85,970, $74,959, and $68,662 for the years ended December 31, 2017, 2016 and 2015, respectively.

   In addition to pension benefits, the Association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities on the balance sheet.

H. Patronage Refunds from the Bank: The Association records patronage refunds from the Bank on an accrual basis.

I. Fair Value Measurement: The FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

   Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets.

Also included in Level 1 are assets held in trust funds, which relate to deferred compensation and our supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate debt securities, and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities, are reported in Level 2.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities are considered Level 3. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

The fair value disclosures are presented in Note 12, "Fair Value Measurements."

J. Income Taxes: New U.S. tax laws resulting from legislation commonly known as the Tax Cuts and Jobs Acts of 2017 (TCJA) were enacted in late 2017. Among other things, the TCJA changed the federal corporate tax rate from 35 percent to 21 percent. FLCA subsidiaries are exempt from federal and state income tax; however, the change in the federal corporate tax rate will have a financial statement impact for year-end 2017 on ACAs and PCA subsidiaries that will require the revaluation of any deferred taxes (assets or liabilities) in the year of enactment (2017). This will result in either a tax expense or tax benefit to the income statement.

K. Off-balance-sheet credit exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans as of December 31 follows:

	2017		2016		2015	
Loan Type	**Amount**	**%**	Amount	%	Amount	%
Real estate mortgage	**$ 505,858,333**	**87.4%**	$ 454,024,356	85.8%	$ 418,963,594	84.7%
Agribusiness:						
Processing and marketing	**31,134,059**	**5.4%**	32,082,070	6.1%	29,428,305	6.0%
Loans to cooperatives	**5,539,575**	**1.0%**	4,924,672	0.9%	2,315,477	0.5%
Farm-related business	**1,800,075**	**0.3%**	1,814,188	0.3%	3,007,172	0.6%
Energy	**15,298,347**	**2.6%**	16,673,398	3.1%	17,621,376	3.6%
Production and intermediate term	**7,521,005**	**1.3%**	8,859,832	1.7%	12,011,140	2.4%
Rural residential real estate	**5,808,863**	**1.0%**	3,834,633	0.7%	4,545,969	0.9%
Communication	**5,749,373**	**1.0%**	7,089,784	1.3%	5,589,417	1.1%
Water and waste water	**-**	**0.0%**	-	0.0%	1,190,558	0.2%
Total	**$ 578,709,630**	**100.0%**	$ 529,302,933	100.0%	$ 494,673,008	100.0%

The Association may purchase or sell 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 participations purchased and sold as of December 31, 2017:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Agribusiness	$ 35,423,548	$ -	$ -	$ -	$ 35,423,548	$ -
Energy	15,298,347	-	-	-	15,298,347	-
Production and intermediate term	7,521,005	-	-	-	7,521,005	-
Real estate mortgage	7,109,805	8,555,348	4,423,216	-	11,533,021	8,555,348
Communication	5,749,373	-	-	-	5,749,373	-
Total	$ 71,102,078	$ 8,555,348	$ 4,423,216	$ -	$ 75,525,294	$ 8,555,348

Geographic Distribution:

County	**2017**	2016	2015
Hale	**10.4%**	11.1%	10.5%
Carson	**9.3%**	9.9%	9.4%
Randall	**6.9%**	6.4%	7.4%
Armstrong	**5.8%**	6.1%	7.3%
Ochiltree	**4.9%**	4.2%	3.7%
Gray	**4.0%**	4.5%	4.3%
Floyd	**4.0%**	4.3%	4.5%
Hutchinson	**3.6%**	2.9%	2.8%
Lipscomb	**3.1%**	2.2%	2.1%
Potter	**3.0%**	0.7%	2.0%
Sherman	**2.9%**	3.5%	2.6%
Hansford	**2.7%**	2.6%	2.2%
Donley	**2.2%**	2.4%	2.8%
Deaf Smith	**2.2%**	2.4%	1.7%
Moore	**2.1%**	2.4%	1.7%
Collingsworth	**1.8%**	1.8%	1.7%
Hall	**1.7%**	1.7%	1.7%
Briscoe	**1.5%**	1.3%	1.3%
Swisher	**1.5%**	1.5%	1.4%
Wheeler	**1.4%**	1.4%	1.3%
Hemphill	**1.2%**	1.0%	1.1%
Roberts	**1.2%**	1.2%	1.0%
Oldham	**1.2%**	1.4%	1.7%
Motley	**1.1%**	1.3%	1.2%
Dallam	**1.1%**	0.5%	0.6%
Hartley	**0.9%**	0.0%	0.0%
Crosby	**0.7%**	0.7%	0.0%
Parmer	**0.7%**	0.8%	0.9%
Castro	**0.6%**	0.6%	0.7%
Cottle	**0.3%**	0.3%	0.3%
Childress	**0.2%**	0.2%	0.2%
Other Counties	**3.0%**	4.6%	4.8%
Oklahoma	**1.9%**	1.6%	1.3%
Colorado	**1.8%**	2.0%	2.2%
New Mexico	**1.1%**	1.3%	2.3%
Virginia	**1.0%**	1.1%	0.9%
Minnesota	**0.7%**	0.7%	0.5%
Illinois	**0.6%**	0.4%	0.9%
Kansas	**0.5%**	0.6%	0.8%
Connecticut	**0.5%**	0.6%	0.4%
Georgia	**0.5%**	0.4%	0.5%
Florida	**0.4%**	0.4%	0.4%
Massachusetts	**0.4%**	0.4%	0.4%
Oregon	**0.3%**	0.4%	0.4%
New York	**0.2%**	0.2%	0.5%
Washington	**0.2%**	0.3%	0.5%
Iowa	**0.0%**	0.2%	0.3%
Other States	**2.7%**	3.5%	2.8%
	100.0%	**100.0%**	**100.0%**

The Association's concentration of credit risk in various agricultural commodities is shown in the following table. While the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's lending activities is collateralized, and the Association's exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for loan losses.

	2017		2016		2015	
Operation/Commodity	**Amount**	**%**	Amount	%	Amount	%
Cattle	**$ 221,689,929**	**38.5%**	$ 186,596,794	35.2%	$ 181,872,239	36.7%
Coarse Grains	**123,417,513**	**21.3%**	112,622,605	21.3%	92,829,156	18.8%
Cotton	**102,768,816**	**17.8%**	96,766,773	18.3%	83,489,102	16.9%
Wheat	**36,153,989**	**6.2%**	37,946,137	7.2%	39,927,627	8.1%
Electric Services	**15,217,377**	**2.6%**	16,665,216	3.1%	17,621,376	3.6%
Conservation Reserve Program	**13,649,588**	**2.4%**	13,569,270	2.6%	13,992,318	2.8%
Groceries/Beverages	**11,197,332**	**1.9%**	8,834,988	1.7%	6,251,495	1.3%
Rural Home Loans	**6,930,031**	**1.2%**	6,148,327	1.2%	3,101,104	0.6%
Telecommunications	**5,749,373**	**1.0%**	7,089,784	1.3%	5,589,417	1.1%
Timber	**3,537,140**	**0.6%**	4,671,991	0.9%	11,805,124	2.4%
Meat Packing Plants	**3,143,336**	**0.5%**	5,535,643	1.0%	5,039,303	1.0%
Paper/Pulp	**2,974,296**	**0.5%**	3,500,087	0.7%	3,535,306	0.7%
Milk/Dairy/Cheese	**2,538,808**	**0.4%**	3,519,919	0.7%	2,165,463	0.4%
Cotton Ginning	**1,603,479**	**0.3%**	1,529,415	0.3%	1,654,847	0.3%
Farm Products Warehousing & Storage	**1,291,810**	**0.2%**	1,533,641	0.3%	2,257,797	0.5%
Fertilizer	**1,202,495**	**0.2%**	1,195,449	0.2%	3,812,198	0.8%
Other	**25,644,318**	**4.4%**	21,576,894	4.0%	19,729,136	4.0%
Total	**$ 578,709,630**	**100.0%**	$ 529,302,933	100.0%	$ 494,673,008	100.0%

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are secured by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (or 97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in the loan-to-value ratios in excess of the regulatory maximum.

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	December 31, 2017	December 31, 2016	December 31, 2015
Nonaccrual loans:			
Real estate mortgage	**$ 3,264,884**	$ 3,261,163	$ -
Accruing loans 90 days or more past due:			
Real estate mortgage	**-**	431,464	-
Total nonperforming loans	**3,264,884**	3,692,627	-
Other property owned	**-**	-	59,711
Total nonperforming assets	**$ 3,264,884**	$ 3,692,627	$ 59,711

One credit quality indicator utilized by the Bank and the Association is the Farm Credit Administration's 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 mentioned (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, and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of December 31:

	2017	2016	2015
Real estate mortgage			
Acceptable	**95.4** %	95.7 %	96.5 %
OAEM	**2.7**	2.2	2.1
Substandard/doubtful	**1.9**	2.1	1.4
	100.0	100.0	100.0
Production and intermediate term			
Acceptable	**100.0**	85.8	88.5
OAEM	-	-	11.5
Substandard/doubtful	-	14.2	-
	100.0	100.0	100.0
Loans to cooperatives			
Acceptable	**71.1**	68.9	36.2
OAEM	-	-	-
Substandard/doubtful	**28.9**	31.1	63.8
	100.0	100.0	100.0
Processing and marketing			
Acceptable	**100.0**	100.0	98.0
OAEM	-	-	2.0
Substandard/doubtful	-	-	-
	100.0	100.0	100.0
Farm-related business			
Acceptable	**100.0**	100.0	100.0
OAEM	-	-	-
Substandard/doubtful	-	-	-
	100.0	100.0	100.0
Communication			
Acceptable	**100.0**	100.0	100.0
OAEM	-	-	-
Substandard/doubtful	-	-	-
	100.0	100.0	100.0
Energy			
Acceptable	**90.0**	81.1	100.0
OAEM	**10.0**	18.9	-
Substandard/doubtful	-	-	-
	100.0	100.0	100.0
Water and waste water			
Acceptable	-	-	100.0
OAEM	-	-	-
Substandard/doubtful	-	-	-
	-	-	100.0
Rural residential real estate			
Acceptable	**100.0**	100.0	97.8
OAEM	-	-	-
Substandard/doubtful	-	-	2.2
	100.0	100.0	100.0
Total Loans			
Acceptable	**95.4**	95.1	96.3
OAEM	**2.7**	2.5	2.2
Substandard/doubtful	**1.9**	2.4	1.5
	100.0 %	100.0 %	100.0 %

The following tables provide an age analysis of past due loans (including accrued interest) as of December 31, 2017, 2016 and 2015:

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**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 282,430**	**$ -**	**$ 282,430**	**$ 515,808,804**	**$ 516,091,234**	**$ -**
Processing and marketing	**-**	**-**	**-**	**31,195,317**	**31,195,317**	**-**
Energy	**-**	**-**	**-**	**15,336,174**	**15,336,174**	**-**
Production and intermediate term	**-**	**-**	**-**	**7,551,082**	**7,551,082**	**-**
Rural residential real estate	**-**	**-**	**-**	**5,837,499**	**5,837,499**	**-**
Communication	**-**	**-**	**-**	**5,761,250**	**5,761,250**	**-**
Loans to cooperatives	**-**	**-**	**-**	**5,597,138**	**5,597,138**	**-**
Farm-related business	**-**	**-**	**-**	**1,806,115**	**1,806,115**	**-**
Water and waste water	**-**	**-**	**-**	**-**	**-**	**-**
Total	**$ 282,430**	**$ -**	**$ 282,430**	**$ 588,893,379**	**$ 589,175,809**	**$ -**

December 31, 2016:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 482,835	$ 431,464	$ 914,299	$ 462,093,759	$ 463,008,058	$ 431,464
Processing and marketing	-	-	-	32,153,390	32,153,390	-
Energy	-	-	-	16,707,477	16,707,477	-
Production and intermediate term	-	-	-	8,887,329	8,887,329	-
Communication	-	-	-	7,092,107	7,092,107	-
Loans to cooperatives	-	-	-	4,972,109	4,972,109	-
Rural residential real estate	-	-	-	3,855,939	3,855,939	-
Farm-related business	-	-	-	1,821,798	1,821,798	-
Water and waste water	-	-	-	-	-	-
Total	$ 482,835	$ 431,464	$ 914,299	$ 537,583,908	$ 538,498,207	$ 431,464

December 31, 2015:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 61,541	$ -	$ 61,541	$ 426,349,256	$ 426,410,797	$ -
Processing and marketing	-	-	-	29,518,328	29,518,328	-
Energy	-	-	-	17,633,888	17,633,888	-
Production and intermediate term	-	-	-	12,039,357	12,039,357	-
Communication	-	-	-	5,591,506	5,591,506	-
Loans to cooperatives	-	-	-	2,371,751	2,371,751	-
Rural residential real estate	-	-	-	4,582,574	4,582,574	-
Farm-related business	-	-	-	3,016,648	3,016,648	-
Water and waste water	-	-	-	1,190,707	1,190,707	-
Total	$ 61,541	$ -	$ 61,541	$ 502,294,015	$ 502,355,556	$ -

Note: The recorded investment in the 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 investment.

A restructuring of a debt constitutes a troubled debt restructuring 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. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest).

The predominant form of concession granted for troubled debt restructuring includes principle concessions. Other types of modifications include extension of the term, principal or accrued interest reductions, interest rate decreases and delayed payments, among others. At times these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case the Association assesses all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

The following table presents information regarding loans that met the accounting criteria as a troubled debt restructuring and that occurred within the previous 12 months of that year and for which there was a payment default during the period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

Additional impaired loan information is as follows:

	Recorded Investment at 12/31/2017	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ -	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -	$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 3,264,884	$ 3,265,029	$ -	$ 2,931,674	$ 5,177
Total	$ 3,264,884	$ 3,265,029	$ -	$ 2,931,674	$ 5,177
Total impaired loans:					
Real estate mortgage	$ 3,264,884	$ 3,265,029	$ -	$ 2,931,674	$ 5,177
Total	$ 3,264,884	$ 3,265,029	$ -	$ 2,931,674	$ 5,177

	Recorded Investment at 12/31/2016	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ -	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -	$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 3,692,627	$ 3,664,913	$ -	$ 819,934	$ 78,043
Total	$ 3,692,627	$ 3,664,913	$ -	$ 819,934	$ 78,043
Total impaired loans:					
Real estate mortgage	$ 3,692,627	$ 3,664,913	$ -	$ 819,934	$ 78,043
Total	$ 3,692,627	$ 3,664,913	$ -	$ 819,934	$ 78,043

	Recorded Investment at 12/31/2015	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ -	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -	$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ -	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -	$ -
Total impaired loans:					
Real estate mortgage	$ -	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -	$ -

[a] Unpaid principal balance represents the recorded principal balance of the loan.

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at December 31, 2017, 2016 and 2015.

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans at December 31:

	2017	2016	2015
Interest income which would have been recognized under the original terms	**$ 204,114**	$ 140,608	$ -
Less: interest income recognized	**-**	-	-
Foregone interest income	**$ 204,114**	$ 140,608	$ -

A summary of the changes in the allowance for credit losses and the ending balance of loans outstanding are as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Rural Residential Real Estate	Total
Allowance for Credit Losses:							
Balance at December 31, 2016	$ 1,218,496	$ 126,716	$ 209,105	$ 33,335	$ 201,849	$ 8,068	$ 1,797,569
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	204	-	204
Provision for loan losses	242,373	(109,290)	12,148	17,115	(68,278)	5,134	99,202
Other	(2,418)	9,070	(9,894)	175	8,596	-	5,529
Balance at December 31, 2017	$ 1,458,451	$ 26,496	$ 211,359	$ 50,625	$ 142,371	$ 13,202	$ 1,902,504
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance: collectively evaluated for impairment	$ 1,458,451	$ 26,496	$ 211,359	$ 50,625	$ 142,371	$ 13,202	$ 1,902,504
Recorded Investment in Loans Outstanding:							
Ending Balance at December 31, 2017	$ 516,091,234	$ 7,551,082	$ 38,598,570	$ 5,761,250	$ 15,336,174	$ 5,837,499	$ 589,175,809
Ending balance for loans individually evaluated for impairment	$ 3,264,884	$ -	$ -	$ -	$ -	$ -	$ 3,264,884
Ending balance for loans collectively evaluated for impairment	$ 512,826,350	$ 7,551,082	$ 38,598,570	$ 5,761,250	$ 15,336,174	$ 5,837,499	$ 585,910,925

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Rural Residential Real Estate	Total
Allowance for Credit Losses:							
Balance at December 31, 2015	$ 1,202,847	$ 77,629	$ 165,168	$ 25,648	$ 124,012	$ 13,767	$ 1,609,071
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	19,430	71,053	82,409	8,079	93,469	(5,699)	268,741
Other	(3,781)	(21,966)	(38,472)	(392)	(15,632)	-	(80,243)
Balance at December 31, 2016	$ 1,218,496	$ 126,716	$ 209,105	$ 33,335	$ 201,849	$ 8,068	$ 1,797,569
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance: collectively evaluated for impairment	$ 1,218,496	$ 126,716	$ 209,105	$ 33,335	$ 201,849	$ 8,068	$ 1,797,569
Recorded Investment in Loans Outstanding:							
Ending Balance at December 31, 2016	$ 463,008,058	$ 8,887,329	$ 38,947,297	$ 7,092,107	$ 16,707,477	$ 3,855,939	$ 538,498,207
Ending balance for loans individually evaluated for impairment	$ 3,664,913	$ -	$ -	$ -	$ -	$ -	$ 3,664,913
Ending balance for loans collectively evaluated for impairment	$ 459,343,145	$ 8,887,329	$ 38,947,297	$ 7,092,107	$ 16,707,477	$ 3,855,939	$ 534,833,294

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:								
Balance at December 31, 2014	$ 1,012,880	$ 13,650	$ 154,042	$ 9,871	$ 106,723	$ 4,893	$ 8,956	$ 1,311,015
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	189,967	63,979	11,126	15,777	5,290	7,106	4,811	298,056
Balance at December 31, 2015	$ 1,202,847	$ 77,629	$ 165,168	$ 25,648	$ 112,013	$ 11,999	$ 13,767	$ 1,609,071
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance: collectively evaluated for impairment	$ 1,202,847	$ 77,629	$ 165,168	$ 25,648	$ 112,013	$ 11,999	$ 13,767	$ 1,609,071
Recorded Investment in Loans Outstanding:								
Ending Balance at December 31, 2015	$ 426,410,797	$ 12,039,357	$ 34,906,727	$ 5,591,506	$ 17,633,888	$ 1,190,707	$ 4,582,574	$ 502,355,556
Ending balance for loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance for loans collectively evaluated for impairment	$ 426,410,797	$ 12,039,357	$ 34,906,727	$ 5,591,506	$ 17,633,888	$ 1,190,707	$ 4,582,574	$ 502,355,556

NOTE 4 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS

The investment in the Farm Credit Bank of Texas is a requirement of borrowing from the Bank and is carried at cost plus allocated equities, not fair value, in the accompanying balance sheet. Estimating the fair value of the Association's investment in the Farm Credit Bank of Texas is not practicable because the stock is not traded. The Association owns 3.05% of the issued stock of the Bank as of December 31, 2017. As of that date, the Bank's assets totaled $22.84 billion and members' equity totaled $1.67 billion. The Bank's earnings were $196.0 million during 2017.

NOTE 5 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2017	2016	2015
Building and improvements	**1,576,784**	1,576,784	1,805,906
Construction in progress	**675,218**	51,400	2,000
Land and improvements	**464,298**	459,898	278,013
Automobiles	**448,427**	378,307	310,746
Furniture and equipment	**236,359**	238,967	250,369
Computer equipment and software	**89,407**	90,190	88,328
	3,490,493	2,795,546	2,735,362
Accumulated depreciation	**(1,164,984)**	(973,028)	(957,874)
Total	**$ 2,325,509**	$ 1,822,518	$ 1,777,488

The Association leases office space in Plainview, Texas. Lease expense began in 2016, and was $15,600 and $3,900 for 2017 and 2016, respectively. The minimum lease payment for 2018 is $3,900 and there are no minimum annual lease payments for the four years following.

NOTE 6 — OTHER PROPERTY OWNED, NET:

Net gain (loss) on other property owned, net consists of the following for the years ended December 31:

	2017	2016	2015
Net gain (loss) on other property owned	**$ -**	$ (59,711)	$ -

In 2010, the Association, through a purchased participation as a part of a lending group, acquired a small percentage ownership interest in an ethanol plant. The associated loan was classified as substandard, and the Association's other property owned was the equity ownership interest in the ethanol plant. In August 2014, the Association sold its equity interest in the ethanol plant. The total sales price of the Association's equity interest was $2,705,200 and resulted in a gain on sale of $1,694,808. In 2013, the Association acquired a small percentage ownership in another ethanol plant in the amount of $992,975. During 2013, the Association disposed of $933,264 of this ethanol plant at no gain or loss to the Association. In September 2016, the remaining $59,711 balance of this plant was recorded as a loss to OPO due to the determination that no recovery was possible.

NOTE 7 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2017	2016	2015
Accounts receivable, net	**$ 513,414**	$ 559,134	$ 581,896
Other	**41,192**	464	355
Total	**$ 554,606**	$ 559,598	$ 582,251

Other liabilities comprised the following at December 31:

	2017	2016	2015
Post retirement benefits liability	**$ 1,234,483**	$ 1,111,630	$ 1,077,296
Insurance premium payable	**653,161**	690,456	464,081
Accrued leave	**134,626**	120,987	103,178
Accounts payable, net	**100,935**	55,847	40,258
Other	**184,567**	138,704	31,143
Total	**$ 2,307,772**	$ 2,117,624	$ 1,715,956

NOTE 8 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process. The Association's indebtedness to the Bank represents borrowings by the Association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the Association's assets, and is governed by a general financing agreement. The interest rate on the direct loan is based upon the Bank's cost of funding the loans the Association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2020, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The total amount and the weighted average interest rate of the Association's direct loan from the Bank at December 31, 2017, 2016 and 2015, was $482,671,262 at 2.4 percent, $436,304,583 at 2.3 percent and $405,094,363 at 2.3 percent, respectively.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2017, 2016 and 2015, the Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2017, was $586,274,300, as defined by the general financing agreement.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information, and establishing policies and procedures. Remedies specified in the general financing agreement associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2017, 2016 and 2015, the Association was not subject to remedies associated with the covenants in the general financing agreement. The Association was in compliance with the general financing agreement for the years 2017, 2016 and 2015.

Other than our funding relationship with the Bank, we have no other uninsured or insured debt.

NOTE 9 — MEMBERS' EQUITY:

A description of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below.

Protection of certain borrower equity is provided under the Act that requires the Association, when retiring protected borrower equity, to retire such equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock, participation certificates and allocated equities that were outstanding as of January 6, 1988, or were issued or allocated prior to October 6, 1988. If an association is unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class A capital stock (farm loans), or participation certificates (for rural home and farm related business) is equal to 2 percent of the loan amount, up to a maximum amount of $1,000. The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the Association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates.

If needed to meet regulatory capital adequacy requirements, the board of directors of the Association may increase the percentage of stock requirement for each borrower up to a maximum of 10 percent of the loan amount.

Each owner of Class A and capital stock is entitled to a single vote, while participation certificates provide no voting rights to their owners.

Within two years of repayment of a loan, the Association capital bylaws require the conversion of any borrower's outstanding Class A to Class C stock. Class C stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Redemption of Class C shares is made solely at the discretion of the Association's board of directors. At December 31, 2017, 2016, and 2015 the Association had no Class C stock.

All borrower stock is at-risk. As such, losses that result in impairment of capital stock or participation certificates shall be borne on a pro rata basis by all holders of Class A capital stock and participation certificates. In the event of liquidation of the Association, capital stock and participation certificates would be utilized as necessary to satisfy any remaining obligations in excess of the amounts realized on the sale or liquidation of assets. Any excess of the amounts realized on the sale or liquidation of assets over the Association's obligations to external parties and to the Bank would be distributed to the Association's stockholders.

Dividends and patronage distributions may be paid on the capital stock and participation certificates of the Association, as the board of directors may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings. The following dividends and patronage distributions were declared and paid in 2017, 2016 and 2015, respectively:

Date Declared	Date Paid	Patronage
April 2017	**April 2017**	**$2,500**
January 2017	**March 2017**	**$6,000,000**
January 2016	March 2016	$6,750,000
January 2015	March 2015	$7,000,000

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. Effective January 1, 2017, new regulatory capital requirements for banks and associations were adopted. These new requirements replaced the core surplus and total surplus requirements with Common Equity Tier 1, Tier 1 Capital and Total Capital risk-based capital ratio requirements. The new requirements also replaced the existing net collateral ratio for System banks with a Tier 1 Leverage ratio and an Unallocated Retained Earnings (URE) and URE Equivalents Leverage ratio that are applicable to both the banks and associations. The Permanent Capital Ratio continues to remain in effect; however, the risk-adjusted assets are calculated differently than in the past. As of December 31, 2017, the Association is not prohibited from retiring stock or distributing earnings.

The following sets forth the regulatory capital ratio requirements and ratios at December 31, 2017:

Risk-adjusted:	Regulatory Minimums	Conservation Buffer*	Total	As of December 31, 2017
Common equity tier 1 ratio	4.50%	2.50%	7.00%	17.10%
Tier 1 capital ratio	6.00%	2.50%	8.50%	17.10%
Total capital ratio	8.00%	2.50%	10.50%	17.41%
Permanent capital ratio	7.00%	0.00%	7.00%	17.15%
Non-risk-adjusted:				
Tier 1 leverage ratio**	4.00%	1.00%	5.00%	17.74%
UREE leverage ratio	1.50%	0.00%	1.50%	18.86%

*the 2.5% capital conservation buffer for the risk-adjusted ratios will be phased in over a three year period ending on December 31, 2019. There is no phase-in of the leverage buffer.

**Must include the regulatory minimum requirement for the URE and UREE Leverage ratio

Risk-adjusted assets have been defined by FCA Regulations as the Statement of Condition assets and off balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. The primary changes which generally have the impact of increasing risk-adjusted assets (decreasing risk-based regulatory capital ratios) were as follows:

- Inclusion of off-balance-sheet commitments less than 14 months
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status

Risk-adjusted assets is calculated differently for the permanent capital ratio (referred herein as PCR risk-adjusted assets) compared to the other risk-based capital ratios. The primary difference is the deduction of the allowance for loan losses from risk-adjusted assets for the permanent capital ratio.

The ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is tier 1 capital plus other required borrower stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

The components of the Association's risk-adjusted capital, based on 90 Day average balances, were as follows at December 31, 2017:

(dollars in thousands)	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	**112,337,518**	**112,337,518**	**112,337,518**	**112,337,518**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**1,917,712**	**1,917,712**	**1,917,712**	**1,917,712**
Allowance for loan losses and reserve for credit losses subject to certain limitations*			**1,973,513**	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(8,597,604)**	**(8,597,604)**	**(8,597,604)**	**(8,597,604)**
	105,657,626	**105,657,626**	**107,631,139**	**105,657,626**
Denominator:				
Risk-adjusted assets excluding allowance	**626,650,260**	**626,650,260**	**626,650,260**	**626,650,260**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(8,597,604)**	**(8,597,604)**	**(8,597,604)**	**(8,597,604)**
Allowance for loan losses				**(1,903,305)**
	618,052,656	**618,052,656**	**618,052,656**	**616,149,351**

*Capped at 1.25% of risk-adjusted assets

The components of the Association's non-risk-adjusted capital, based on 90 Day average balances, were as follows at December 31, 2017:

(dollars in thousands)	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	**112,337,518**	**112,337,518**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**1,917,712**	**-**
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(8,597,604)**	**-**
	105,657,626	**112,337,518**
Denominator:		
Total Assets	**605,461,080**	**605,461,080**
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	**(9,872,604)**	**(9,872,604)**
	595,588,476	**595,588,476**

The Association’s board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the Association’s permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan portfolio; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board. A strong capital base, as outlined in the Plan, will afford the Association the opportunity to position itself to address the changing lending environment, and provide the highest quality service to its stockholders.

An FCA regulation empowers the FCA to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

At December 31, the Association had the following shares of Class A capital stock, Class B stock and participation certificates outstanding at a par value of $5 per share:

	2017	2016	2015
Class A stock	**369,687**	357,325	353,983
Participation certificates	**12,764**	10,119	7,553
Total	**382,451**	367,444	361,536

An additional component of equity is accumulated other comprehensive income, which is reported as follows:

	2017	2016	2015
Nonpension postretirement benefits	**$ 45,651**	$ 134,893	$ 135,745

The Association's accumulated other comprehensive income relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income and the location on the income statement for the year ended December 31:

	2017	2016	2015
Accumulated other comprehensive income (loss) at January 1	**$ 134,893**	$ 135,745	$ (71,126)
Actuarial (losses) gains	**(72,412)**	15,978	221,799
Amortization of prior service (credits) included in salaries and employee benefits	**(16,830)**	(16,830)	(16,992)
Amortization of actuarial loss included in salaries and employee benefits	**-**	-	2,064
Other comprehensive income (loss), net of tax	**(89,242)**	(852)	206,871
Accumulated other comprehensive income at December 31	**$ 45,651**	$ 134,893	$ 135,745

NOTE 10 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the Association participate in either the defined benefit retirement plan (DB plan) or the defined contributions plan (DC plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section G of Note 2, "Summary of Significant Accounting Policies." The structure of the District's DB plan is characterized as multi-employer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (banks and associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon District combination only. The Association records current contributions to the DB plan as an expense in the current year.

The CEO and certain executive or highly-compensated employees in the Association are eligible to participate in a separate nonqualified supplemental 401(k) plan, named the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (supplemental 401(k) plan). This plan allows District employers to elect to participate in any or all of the following benefits:

- Restored Employer Contributions – to allow "make-up" contributions for eligible employees whose benefits to the qualified 401(k) plan were limited by the Internal Revenue Code during the year
- Elective Deferrals – to allow eligible employees to make pre-tax deferrals of compensation above and beyond any deferrals into the qualified 401(k) plan
- Discretionary Contributions – to allow participating employers to make a discretionary contribution to an eligible employee's account in the plan, and to designate a vesting schedule

There were no Supplemental 401(k) plans to active employees during 2017, 2016, and 2015.

The DB plan is noncontributory and benefits are based on salary and years of service. The legal name of the plan is Farm Credit Bank of Texas Pension Plan; its employer identification number is 74-1110170. The DB plan is not subject to any contractual expiration dates. The DB plan's funding policy is to fund current year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved by the plan sponsor. The plan sponsor is the board of the Farm Credit Bank of Texas. The "projected unit credit" actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB plan, to facilitate reorganization and/or restructuring. Actuarial information regarding the DB pension plan accumulated benefit obligation and plan asset is calculated for the District as a whole and is presented in the District's Annual Report to Stockholders. The actuarial present value of vested and nonvested accumulated benefit obligation exceeded the net assets of the DB plan as of December 31, 2017.

The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
c. If the Association chooses to stop participating in some of its multi-employer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table includes additional information regarding the funded status of the plan, the Association's contributions, and the percentage of Association contribution to total plan contributions for the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
Funded status of plan	**69.7** %	66.4 %	66.8 %
Association's contribution	**$ 545,386**	$ 388,831	$ 328,880
Percentage of Association's contribution to total contributions	**4.7** %	3.3 %	3.1 %

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 73.4 percent, 70.6 percent and 72.5 percent at December 31, 2017, 2016 and 2015, respectively.

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities. In October 2014, the Society of Actuaries issued revised mortality tables (RP 2014) and a mortality improvement scale (MP 2014) for use by actuaries, insurance companies, governments, benefit plan sponsors and others in setting assumptions regarding life expectancy in the United States for purposes of estimating pension and other postemployment benefit obligations, costs and required contribution amounts. The new mortality tables indicate substantial life expectancy improvements since the last study published in 2000 (RP 2000). The adoption of these new tables resulted in an increase of $145,699 to our retiree welfare plan's projected benefit obligation.

The following table reflects the benefit obligation, cost and actuarial assumptions for the Association's other postretirement benefits:

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	**2017**	2016	2015
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 1,111,630**	$ 1,077,296	$ 1,245,895
Service cost	**21,825**	23,948	26,309
Interest cost	**50,552**	49,980	55,998
Plan participants' contributions	**2,415**	2,243	6,823
Actuarial loss (gain)	**72,412**	(15,978)	(221,799)
Benefits paid	**(24,351)**	(25,859)	(35,930)
Accumulated postretirement benefit obligation, end of year	**$ 1,234,483**	$ 1,111,630	$ 1,077,296
Change in Plan Assets			
Plan assets at fair value, beginning of year	**$ -**	$ -	$ -
Company contributions	**21,936**	23,616	29,107
Plan participants' contributions	**2,415**	2,243	6,823
Benefits paid	**(24,351)**	(25,859)	(35,930)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (1,234,483)**	$ (1,111,630)	$ (1,077,296)
Amounts Recognized in Statement of Financial Position			
Other liabilities	**$ (1,234,483)**	$ (1,111,630)	$ (1,077,296)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial (gain) loss	**$ (33,026)**	$ (105,438)	$ (89,460)
Prior service credit	**(12,625)**	(29,455)	(46,285)
Total	**$ (45,651)**	$ (134,893)	$ (135,745)
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	**12/31/2017**	12/31/2016	12/31/2015
Discount rate	**4.00%**	4.60%	4.70%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**7.70% / 6.90%**	6.75% / 6.50%	7.00% / 6.50%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2026**	2025	2025

Total Cost	**2017**	2016	2015
Service cost	**$ 21,825**	$ 23,948	$ 26,309
Interest cost	**50,552**	49,980	55,998
Amortization of:			
Unrecognized prior service cost	**(16,830)**	(16,830)	(16,992)
Unrecognized net loss	**-**	-	2,064
Net postretirement benefit cost	**$ 55,547**	$ 57,098	$ 67,379
Accounting for settlements/curtailments/special termination benefits	**$ -**	$ -	$ -
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial loss (gain)	**$ 72,412**	$ (15,978)	$ (221,799)
Amortization of net actuarial (gain)	**-**	-	(2,064)
Amortization of prior service cost	**16,830**	16,830	16,992
Total recognized in other comprehensive loss (income)	**$ 89,242**	$ 852	$ (206,871)
AOCI Amounts Expected to be Amortized Into Expense in 2016			
Unrecognized prior service cost	**(12,625)**		
Unrecognized net loss (gain)	**-**		
Total	**$ (12,625)**		
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	**12/31/2016**	12/31/2015	12/31/2014
Discount rate	**4.60%**	4.70%	4.55%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**6.75% / 6.50%**	7.00% / 6.50%	7.25% / 6.75%
Ultimate health care cost trend rate	**4.50%**	4.50%	5.00%
Year that the rate reaches the ultimate trend rate	**2025**	2025	2024

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)	
Fiscal 2018	**$ 30,859**
Fiscal 2019	**39,160**
Fiscal 2020	**48,807**
Fiscal 2021	**60,184**
Fiscal 2022	**73,170**
Fiscal 2023 - 2027	**333,852**
Expected Contributions	
Fiscal 2018	**$ 30,859**

NOTE 11 — RELATED PARTY TRANSACTIONS:

Directors of the Association, except for any director-elected directors, are required to be borrowers/stockholders of the Association. Also, in the ordinary course of business, the Association may enter into loan origination or servicing transactions with its officers, relatives of officers and directors, or with organizations with which such persons are associated. Such loans are subject to special approval requirements contained in FCA regulations and are made on the same terms, including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

Total loans to such persons for the Association amounted to $27,732,170, $24,987,124 and $20,566,077 at December 31, 2017, 2016 and 2015, respectively. During 2017, $5,184,106 of new loans were made, and repayments totaled $3,115,307. In the opinion of management, no such loans outstanding at December 31, 2017, 2016 and 2015 involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the Bank and passed through to the associations, such as FCSIC expenses. The Bank charges the individual associations directly for these services based on each association's proportionate usage. These expenses totaled $27,326, $63,388 and $34,209 in 2017, 2016 and 2015, respectively.

The Association received patronage payments from the Bank totaling $2,026,919, $1,944,143 and $1,761,184 during 2017, 2016 and 2015, respectively.

NOTE 12 — 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 an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2, "Summary of Significant Accounting Policies," for additional information.

Assets and liabilities measured at fair value on a nonrecurring basis at December 31, 2017, 2016 and 2015 for each of the fair value hierarchy values are summarized below:

December 31, 2017	**Fair Value Measurement Using**			**Total Fair Value**
	Level 1	**Level 2**	**Level 3**	
Assets:				
Loans	**$ -**	**$ -**	**$ -**	**$ -**
Other property owned	**-**	**-**	**-**	**-**

December 31, 2016	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	$ -	$ -	$ -	$ -
Other property owned	-	-	-	-

December 31, 2015	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	$ -	$ -	$ -	$ -
Other property owned	-	-	59,711	59,711

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

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the balance sheet for each of the fair value hierarchy values are summarized as follows:

	December 31, 2017				
	Fair Value Measurement Using				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ 4,284,273**	**$ 4,284,273**	**$ -**	**$ -**	**$ 4,284,273**
Net loans	**576,807,126**	**-**	**-**	**562,534,843**	**562,534,843**
Total Assets	**$ 581,091,399**	**$ 4,284,273**	**$ -**	**$ 562,534,843**	**$ 566,819,116**
Liabilities:					
Note payable to Bank	**$ 482,671,262**	**$ -**	**$ -**	**$ 470,767,501**	**$ 470,767,501**
Total Liabilities	**$ 482,671,262**	**$ -**	**$ -**	**$ 470,767,501**	**$ 470,767,501**

	December 31, 2016				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 3,649,379	$ 3,649,379	$ -	$ -	$ 3,649,379
Net loans	527,505,364	-	-	516,350,900	516,350,900
Total Assets	$ 531,154,743	$ 3,649,379	$ -	$ 516,350,900	$ 520,000,279
Liabilities:					
Note payable to Bank	$ 436,304,583	$ -	$ -	$ 427,109,955	$ 427,109,955
Total Liabilities	$ 436,304,583	$ -	$ -	$ 427,109,955	$ 427,109,955

	December 31, 2015				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 3,333,619	$ 3,333,619	$ -	$ -	$ 3,333,619
Net loans	493,063,937	-	-	487,651,607	487,651,607
Total Assets	$ 496,397,556	$ 3,333,619	$ -	$ 487,651,607	$ 490,985,226
Liabilities:					
Note payable to Bank	$ 405,094,363	$ -	$ -	$ 400,662,133	$ 400,662,133
Total Liabilities	$ 405,094,363	$ -	$ -	$ 400,662,133	$ 400,662,133

Information about Other Financial Instrument Fair Value Measurements:

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Note payable to bank	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk

Valuation Techniques

As more fully discussed in Note 2, “Summary of Significant Accounting Policies,” 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. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following represent a brief summary of the valuation techniques used by the Association for assets and liabilities:

Loans

For certain loans evaluated for impairment under impairment guidance, 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.

Other Property Owned

Other property owned is generally classified as Level 3. The process for measuring the fair value of other property owned involves the use of appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset’s fair value.

Note Payable to the Bank

The note payable to the Bank is not regularly traded; thus, quoted market prices are not available. Fair value of this instrument is discounted based on the Association's and Bank's loan rates as well as on management estimates. For the purposes of this estimate, it is assumed that the cash flow on the note is equal to the principal payments on the Association's loan receivables plus accrued interest on the note payable. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures. Management has no basis to determine whether the fair values would be indicative of the value negotiated in an actual sale.

NOTE 13 — COMMITMENTS AND CONTINGENCIES

In addition to those commitments and contingencies discussed in Note 2, "Summary of Significant Accounting Policies," the Association is involved in various legal proceedings in the ordinary course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2017, $57,571,258 of commitments and $673,568 of commercial letters of credit were outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the balance sheet until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

NOTE 14 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended December 31 (in thousands) follow:

	2017				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 3,883**	**$ 3,946**	**$ 4,029**	**$ 4,126**	**$ 15,984**
(Provision for) reversal of loan losses	**43**	**(85)**	**(53)**	**(4)**	**(99)**
Noninterest income (expense), net	**(1,215)**	**(753)**	**(684)**	**(858)**	**(3,510)**
Net income	**$ 2,711**	**$ 3,108**	**$ 3,292**	**$ 3,264**	**$ 12,375**

	2016				
	First	Second	Third	Fourth	Total
Net interest income	$ 3,531	$ 3,683	$ 3,714	$ 3,646	$ 14,574
(Provision for) reversal of loan losses	(55)	(162)	(77)	25	(269)
Noninterest income (expense), net	(1,276)	(616)	(756)	(416)	(3,064)
Net income	$ 2,200	$ 2,905	$ 2,881	$ 3,255	$ 11,241

	2015				
	First	Second	Third	Fourth	Total
Net interest income	$ 3,328	$ 3,313	$ 3,343	$ 5,118	$ 15,102
(Provision for) reversal of loan losses	8	(65)	(5)	(236)	(298)
Noninterest income (expense), net	(1,586)	(90)	(314)	(399)	(2,389)
Net income	$ 1,750	$ 3,158	$ 3,024	$ 4,483	$ 12,415

NOTE 15 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 14, 2018, which is the date the financial statements were issued or available to be issued.

The board of directors declared a patronage of $7,100,000 in January 2018 to be distributed to stockholders in March of 2018. There are no [other] subsequent events requiring disclosure as of March 14, 2018.

DISCLOSURE INFORMATION AND INDEX

(Unaudited)

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

The description of the territory served, the persons eligible to borrow, the types of lending activities engaged in and the financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1 to the financial statements, "Organization and Operations," included in this annual report.

The descriptions of significant developments that had or could have a material impact on earnings, interest rates to borrowers, patronage, or dividends and acquisitions or dispositions of material assets, changes in the reporting entity, changes in patronage policies or practices and financial assistance provided by or to the Association through loss sharing or capital preservation agreements or from any other source, if any, required to be disclosed in this section are incorporated herein by reference from "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

DESCRIPTION OF PROPERTY

The Plains Land Bank, FLCA (Association) serves its 17-county territory through its main administrative and lending office at 5625 Fulton Drive, Amarillo, Texas 79109. Additionally, there are three branch lending offices located at: 2526 Perryton Parkway, Pampa, Texas 79065; 506 South Main, Perryton Texas 79070; and 629 Baltimore Street, Plainview, Texas 79072. The Association owns the office buildings in Amarillo, Pampa, and Perryton, free of debt. The Association leases the office building in Plainview.

LEGAL PROCEEDINGS

In the ordinary course of business, the Association is involved in various legal proceedings. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the financial statements of the Association.

DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference from Note 9 to the financial statements, "Members' Equity," included in this annual report.

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 8, "Note Payable to the Bank," Note 10, "Employee Benefit Plans" and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Notes 2 and 13 to the financial statements, "Summary of Significant Accounting Policies" and "Commitments and Contingencies," respectively, included in this annual report.

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

The Association's financial condition may be impacted by factors that affect the Farm Credit Bank of Texas (Bank), as discussed in Note 1 to the financial statements, "Organization and Operations," included in this annual report. The financial condition and results of operations of the Bank may materially affect the stockholders' investment in the Association.

The annual and quarterly stockholder reports of the Farm Credit Bank of Texas (Bank) and of the Texas Farm Credit District (District) are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, The Ag Agency, P.O. Box 202590, Austin, Texas 78720-2590 or calling (512) 483-9204. Copies of the Bank and District annual and quarterly stockholder reports can also be requested by e-mailing *fcb@farmcreditbank.com*. The annual and quarterly stockholder reports are also available on its website at *www.farmcreditbank.com*.

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports will be available approximately 40 days after quarter end and can be obtained by writing to Plains Land Bank, FLCA, 5625, Fulton Drive, Amarillo, Texas 79109-4212 or calling (806) 353-6688. Copies of the Association's quarterly stockholder reports can also be requested by emailing *kmclaughlin@plainslandbank.com*. The Association's annual stockholder report is available on its website at *www.plainslandbank.com* 75 days after the fiscal year end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year end.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2017, required to be disclosed, is incorporated herein by reference to the "Five-Year Summary of Selected Financial Data" included in this annual report to stockholders.

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

"Management's Discussion and Analysis," which precedes the financial statements in this annual report, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS

The Association's member-elected and director-elected board of directors and senior officers are as follows:

NAME	POSITION	DATE ELECTED/ EMPLOYED	TERM EXPIRES
Perry Kirkland	Director	2012	2018
Dennis Babcock	Director	1998	2019
Randy D. Darnell	Director	2002	2020
Steve Rader	Director	2002	2020
Steve Brown	Director – Elected Director	1998	Retired 2017
Daniel L. Krienke	Vice Chairman	1999	2020
Walter (Rusty) Henson	Director	2001	2018
Don James	Chairman	2004	2019
Tim Stedje	Director	2013	2019
Lyle Miller	Director	2015	2018
Lea A. Stukey, CPA	Director – Elected Director	2016	2020
Mallory Kay Vestal, Ph.D.	Director – Elected Director	2016	2018
Greggory S. Lloyd	CEO	1983	
Cathy D. Scribner	CFO	1985	Retired 2018
Kenneth Hooper	SVP/Lending	1988	
Stephen W. Donnell	SVP/Lending	1994	
Cory W. Bruce	CCO	1998	
Kay Lynn McLaughlin	CFO	2010	

A brief statement of the business and employment background of each director and senior officer is provided for informational purposes.

Perry Kirkland, age 68, is a farmer, stockman, and agribusiness man in Oldham County. He owns and is general manager of Kirkland Feedyard, Inc., a 20,000-head custom feeding operation. Mr. Kirkland serves as Vice Chairman of the Compensation Committee and was elected to the board in 2012.

Dennis Babcock, age 66, is a farmer and rancher in Carson and Gray counties with his two sons, experienced in both dryland and irrigated farming. Dennis has a Bachelor of Science degree in Agriculture Economics from West Texas University. He currently serves as a director of Groom Irrigation Gas, Inc. and is co-owner of Hutchco Farms, Inc. Mr. Babcock was elected to the board in 1998.

Randy Darnell, age 57, is a farmer/stockman in northeast Deaf Smith and northwest Randall counties. He graduated from Texas Tech University with a Bachelor of Science degree in Agriculture Economics. He is a member and past president of the Canyon Independent School District board. Mr. Darnell was elected to the board in 2002.

Steve Rader, age 64, manages a family cow calf operation in Ellis County, Oklahoma, and a wheat farming operation in Lipscomb and Hemphill counties, Texas. He has a Bachelor of Science degree from Oklahoma State University in General Agriculture. He is also a partner in RNR Seeding, which specializes in reclaiming oil field pipelines and locations. Mr. Rader was elected to the board in 2002.

Daniel L. Krienke, age 67, is a farmer from Ochiltree County, experienced in both dryland and irrigated farming. He is presently a director of the Texas Grain Sorghum Association and National Sorghum Check-off, and a member of the Region A State Water Planning Committee and the North Plains Groundwater Conservation District. Mr. Krienke serves as Vice-Chairman of the Board and Vice-Chairman of the Audit Committee and was elected to the board in 1999.

Walter (Rusty) Henson, age 61, is a farmer/rancher from Briscoe County and has been for the last 40 years. He has an irrigation and dryland farming interest in Briscoe County and cattle operations in Randall, Deaf Smith, and Castro counties. He has a Bachelor of Science degree from West Texas A&M University in Agriculture Business. He is a director of the Caprock Soil & Water Conservation District. Mr. Henson serves as Chairman of the Audit Committee and was first appointed to the board to fill an unexpired board term in October 2000 and was then elected to the board in 2001.

Don James, age 66, farms in Hale County. He attended Wayland Baptist University and Texas Tech University. He is a past board member of United Farm Industries and Llano Estacado Regional Planning Group. Mr. James serves as Chairman of the Board and was elected to the board in 2004.

Tim Stedje, age 49, is a farmer, rancher, and feeder from Gruver, Texas. He owns and operates a feedyard business with his brother in Hansford County and does business in Hansford and Sherman counties, Texas and Texas County, Oklahoma. He currently serves as Hansford County Commissioner. Mr. Stedje serves as Chairman of the Compensation Committee and was elected to the board in 2013.

Lyle Miller, age 63, is one of three partners in Four M Brothers partnership, which owns farm land and equipment. He is also one of five partners in Miller Farms Texas. He currently serves as president of the Floydada School Board of Trustees. Mr. Miller was elected to the board in 2015.

Lea A. Stukey, CPA, age 49, is a CPA who is a shareholder/owner of Lewis, Kaufman, Reid, Stukey, Gattis & Co., PC, which is a CPA firm located in Plainview, Texas. Her practice consists primarily of tax planning and preparation, payroll services, and business consultation services. She holds a Bachelor of Business Administration degree from West Texas A&M University. Mrs. Stukey was appointed to the board as an outside director in December 2016.

Mallory Kay Vestal, Ph.D., age 34, is an Assistant Professor of Agricultural Business and Economics, Department of Agricultural Sciences at West Texas A&M University. She is also an educational consultant for the National Reining Horse Association. She holds a Doctor of Philosophy in Agricultural Economics and a Master of Science in Agricultural Economics from Oklahoma State University, and a Bachelor of Science in Agribusiness/Equine Industry and Business from West Texas A&M University. Dr. Vestal was appointed to the board as an outside director in December 2016.

Greggory S. Lloyd, age 59, has been employed with the Farm Credit System for the past 34 years. He holds a Bachelor of Science degree and a Master of Science degree in Agricultural Economics from Texas Tech University. He previously served as a vice president of the High Plains Federal Land Bank Association of Pampa and president of the Federal Land Bank Association of Amarillo. He served as executive vice president and chief credit officer of the Association until July 1, 2010, when he was promoted to CEO of the Association.

Cathy D. Scribner, age 65, has been employed with the Farm Credit System for the past 32 years. She previously served as Office Manager of the High Plains Federal Land Bank Association of Pampa and Secretary/Treasurer of the Panhandle-Plains Land Bank, FLCA. She served as Chief Financial Officer of the Association until her retirement on February 28, 2018.

Kenneth Hooper, age 59, was employed with the Association in June 1988. He holds a Bachelor of Science degree from Texas A&M University. Mr. Hooper oversees lending operations in Hale, Motley, Briscoe, Floyd and Hall counties. He currently serves as Senior Vice President of Lending in the Plainview office.

Stephen W. Donnell, age 59, has been employed with the Association for the past 23 years. Steve holds a Bachelor of General Studies degree from West Texas A&M University. He currently serves as Senior Vice President of Lending in the Amarillo office.

Cory W. Bruce, age 46, was employed with the Association in March 1998. He holds a Bachelor of Science degree in plant science and a Master of Business Administration degree in Agriculture from West Texas A&M University. He previously served as vice president/assistant branch manager of the Amarillo office and vice president/capital markets of Panhandle-Plains Land Bank, FLCA. Cory W. Bruce was promoted to Chief Credit Officer of the Association effective August 1, 2010.

Kay Lynn McLaughlin, age 37, has been employed with the Association since March 2010. She holds a Bachelor of Business Administration in Management, a Master of Business Administration in Management, and a Master of Professional Accounting degree from West Texas A&M University. She previously served as Sr. Loan Officer in the Amarillo office, as well as Operations Manager, Controller, and Interim Chief Financial Officer for the Association. She currently serves as Chief Financial Officer for the Association.

COMPENSATION OF DIRECTORS

Directors were compensated for their service to the Association in the form of an honorarium at the rate of $575 per day for director meetings and committee meetings, and they were reimbursed for certain expenses incurred while representing the Association in an official capacity. Mileage for attending official meetings during 2017 was paid at the IRS-approved rate of 54.0 cents per mile. A copy of the travel policy is available to stockholders of the Association upon request.

	Number of Days Served Associated With		
Director	**Board Meetings**	**Other Official Activities**	**Total Compensation in 2017**
Daniel L. Krienke	13	10	$12,650
Randy D. Darnell	11	9	10,925
Walter (Rusty) Henson	12	18	16,675
Steve Rader	12	10	11,500
Steve Brown	7	9	9,200
Dennis Babcock	13	6	10,350
Don James	13	15	15,925
Perry Kirkland	13	9	12,075
Lyle Miller	13	10	12,650
Tim Stedje	10	6	8,625
Lea A. Stukey	12	7	8,625
Mallory Kay Vestal	12	4	10,350
			$139,550

The aggregate compensation paid to directors in 2017, 2016 and 2015 was $139,550, $123,538 and $118,950, respectively. The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $84,930, $73,001 and $77,034 in 2017, 2016 and 2015, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

The primary objective of the compensation package is to create a work environment such that employees are fully engaged in the mission statement of "improving the means and well-being of farmers, ranchers, and rural life in our territory." The compensation plan will allow the Association to attract and retain top talent and align the interest of our employees and shareholders. It is important to offer our employees a strong and competitive compensation package. The package is designed to strengthen Association productivity and employee loyalty, while building team effort as well as reward for individual accomplishment. The compensation plan includes base pay, incentive bonus and benefits. The board of directors believes the compensation plan is competitive for our employees and brings value to our shareholders (owners). The Association will continue to strive to maintain this type of balance between employees and shareholders. Base salaries and benefits are based on market data and deemed to be competitive with other employers in the market place. The current incentive plan is administered in accordance with board-approved Association policy, as recommended by the board compensation committee. The board-approved incentive plan is intended to achieve the following:

- All the employees to share a portion of the increase in stockholder value of the organization after certain performance goals have been met.
- Motivate employees to achieve and exceed the desired Association business goals over the long term.
- Reward employees for increase productivity based on their individual contributions and the overall success of the Association.
- Reinforce teamwork throughout the organization.
- Provide an overall competitive compensation opportunity so that the Association can attract, retain and motivate high-quality individuals.

The sum of funds available for the incentive bonus payout to Association employees under the plan is a set percentage of 5 of the year-ending net income. This amount can be decreased by the Association, each office and individual loan officers not meeting its and/or their goals. The goals used in the plan are balanced between new loan volume and volume growth, credit quality and other job performance areas. Incentive payments are paid in the first quarter of each year based on the performance from January 1 through December 31 of the previous year.

Chief Executive Officer (CEO) Compensation Policy

The CEO salary is set by the compensation committee and is part of the same compensation plan for all employees. Part of the compensation plan is the incentive plan which is also the same for all employees including the CEO. The CEO does not have an employment agreement; this is the same practice for all employees. The employment of the CEO by the Association is on an "at will" relationship. This means that either the employer or the employee is free to terminate the employment relationship at any time with or without reason.

Summary Compensation Table

The following table summarizes the compensation paid to the CEO and all senior officers of the Association during 2017, 2016 and 2015. This may include other non-senior officers if their total compensation is within the top five highest paid employees. Amounts reflected in the table are presented in the year the compensation was earned.

Name of Individual or number in group (a)	Year	Salary (b)	Bonus (c)	Change in Pension Value (d)	Deferred/ Perquisite (e)	Other (f)	Total
Greggory S. Lloyd CEO	2017	**$ 235,009**	**$ 29,017**	**$ 399,376**	**$ 15,937**	**$ 5,197**	**$ 684,536**
	2016	225,009	40,331	285,921	15,744	4,327	571,332
	2015	204,008	55,663	189,857	15,417	3,923	468,868
Aggregate Number of Senior Officers (& other highly compensated employees, if applicable)							
6	2017	**$ 738,726**	**$ 171,277**	**$ 382,742**	**$ 97,498**	**$ 2,238**	**$ 1,392,481**
5	2016	562,821	194,494	265,212	70,825	1,155	1,094,507
5	2015	520,016	228,255	533,400	73,270	3,454	1,358,395

(a) Aggregate number of senior officers/highly compensated individuals, excluding CEO.
(b) Gross salary, including retention plan compensation for certain senior officers.
(c) Bonuses paid within the first 30 days of the subsequent calendar year.
(d) Change in pension value represents the change in the actuarial present value of the accumulated benefit under the defined benefit pension plan, the Farm Credit Bank of Texas Pension Plan, from the prior fiscal year to the current fiscal year.
(e) Deferred/Perquisites include contributions to 401(k) and defined contribution plans, supplemental 401(k) discretionary contributions, automobile benefits and premiums paid for life insurance.
(f) Amounts in the "Other" column include unused accrued annual leave.

Disclosure of information on the total compensation paid and the arrangements of the compensation plans during the last fiscal year to any senior officer or to any other officer included in the aggregate are available and will be disclosed to shareholders of the institution upon request.

Pension Benefits Table

The following table presents the total annual benefit provided from the defined benefit pension plan applicable to the CEO for the year ended December 31, 2017:

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During 2017
Greggory S. Lloyd CEO	Farm Credit Bank of Texas Pension Plan	37	$ 3,077,551	$ -
Aggregate Number of Senior Officers (& other highly compensated employees, if applicable) 2		32	$ 2,995,825	$ -

Pension Benefits Table Narrative Disclosure

The CEO and two other senior officers of the Association participate in the Farm Credit Bank of Texas Pension Plan (the "Pension Plan"), which is a qualified defined benefit retirement plan. Compensation, as defined in the Pension Plan, includes wages, incentive compensation, and deferrals to the 401(k) and flexible spending account plans, but excludes annual leave or sick leave that may be paid in cash at the time of termination, retirement, or transfer of employment, severance payments, retention bonuses, taxable fringe benefits, and any other payments. Pension Plan benefits are based on the average of monthly eligible compensation over the 60 consecutive months that produce the highest average after 1996 ("FAC60"). The Pension Plan's benefit formula for a Normal Retirement Pension is the sum of (a) 1.65 percent of FAC60 times "Years of Benefit Service" and (b) 0.50 percent of (i) FAC60 in excess of Social Security covered compensation items and (ii) "Years of Benefit Service" (not to exceed 35). The present value of the senior officers' accumulated Pension Plan is calculated assuming retirement had occurred at the measurement date used for financial reporting purposes with the retirement at age 65. The Pension Plan's benefit formula for the Normal Retirement Pension assumes that the senior officer is married on the date the annuity begins, that the spouse is exactly two years younger than the senior officer and that the benefit is payable in the form of a 50 percent joint and survivor annuity. If any of those assumptions are incorrect, the benefit is recalculated to be the actuarial equivalent benefit.

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

The Association's policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 11 to the financial statements, "Related Party Transactions," included in this annual report.

DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

During the past five years, none of the Association's officers or directors have been involved in legal proceedings that are material to an evaluation of the ability or integrity of any person who served as director or senior officer on January 1, 2017, or at any time during the fiscal year just ended.

RELATIONSHIP WITH INDEPENDENT AUDITOR

The Association's audit committee engaged the independent accounting firm of PricewaterhouseCoopers LLP (PwC) to perform the annual audit of the Association's financial statements included in this annual report. The fees for professional services rendered for the Association by PwC during 2017 were $40,631 for audit services performed. No other services were performed by PwC during the reporting period.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The Association has business relationships with Panhandle-Plains Land Bank Holding Co LLC and FCBT Biostar B, LLC which are limited liability companies, formed for the purpose of acquiring and managing unusual and complex collateral (acquired property).

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 14, 2018, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

Members' nonpublic personal financial information is protected by Farm Credit Administration regulation. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the Association or its members.

CREDIT AND SERVICES TO YOUNG, BEGINNING AND SMALL FARMERS AND RANCHERS, AND PRODUCERS OR HARVESTERS OF AQUATIC PRODUCTS

This Association is committed to providing sound and dependable credit to young, beginning and small (YBS) farmers and ranchers.

Mission Statement

The Association recognizes the vital nature of the young, beginning and small farmer and rancher customer base to the overall future well-being of the agricultural industry. We feel it is our duty to encourage and facilitate entry into agricultural operations. We provide reasonably priced financial products and services, tailored to fit the needs of present-day operators. In addition to providing reasonably priced credit, the Association strives to ease entry for those new to agriculture by providing less stringent loan underwriting criteria in certain instances. Such efforts are intended to help individuals who plan to make agriculture their primary source of income.

Definitions for YBS farmers and ranchers are:

- *Young Farmer*: A farmer, rancher or producer or harvester of aquatic products who was age 35 or younger as of the date the loan was originally made.
- *Beginning Farmer*: A farmer, rancher or producer or harvester of aquatic products who had 10 years or less of experience at farming, ranching or producing or harvesting aquatic products as of the date the loan was originally made.
- *Small Farmer*: A farmer, rancher or producer or harvester of aquatic products who normally generated less than $250,000 annual gross sales of agricultural or aquatic products at the date the loan was originally made.

The following table outlines the Association's percentage of YBS loans as a percentage of our loan portfolio as of December 31, 2017. The Ag Census information, complied from the USDA 2012 Ag Census, is based on the number of Young, Beginning and Small operators as a percentage of total operators in the Association territory. The Association reports on the percentage of Young, Beginning and Small loans in the loan portfolio (by number) compared to the total number of loans in the portfolio. This difference in the two methods of calculation is considered to be insignificant and reasonable for comparison purposes. Also shown in the table are the goals for 2017 established by the board.

By Number					
	USDA	Goals	2017	2016	2015
Young	5.77%	16%	17.49%	17.23%	16.04%
Beginning	19.20%	32%	30.56%	31.05%	32.13%
Small	75.34%	50%	46.76%	46.41%	48.47%

The following table outlines our percentage of YBS volume as a percentage of our total loan volume as of December 31, 2017.

By Volume			
	2017	2016	2015
Young	14.25%	14.53%	12.97%
Beginning	27.92%	27.86%	30.32%
Small	31.35%	30.80%	33.70%

The Association established the following as some of the qualitative goals for 2017 in an effort to reach YBS farmers and ranchers:

- Offer related services either directly or in coordination with other lenders that are responsive to the needs of YBS farmers and ranchers in our territory;

- Implement effective outreach programs to attract YBS farmers and ranchers. Special programs and events we have held or sponsored to meet this need include:

    - West Texas A&M University Scholarships – The Association currently provides five $1,000 scholarships to Junior/Senior level Ag College students at West Texas A&M University. The Ag College faculty decides on the recipients. The Association criterion for the faculty is that there should be one recipient from each of the branch offices territory.

    - Livestock Shows/Farm Shows/Rodeos – The Association will continue to provide assistance and sponsorship to various livestock shows, area farm shows and rodeos. These shows provide an opportunity to make contact with existing customers and reach potential customers.

    - Campus Visits – Association loan officers are committed to the development of YBS farmers in our area. They will continue to visit and make presentations for local agricultural students.

    - Educational Opportunities – The Association is actively involved with other lenders, producer groups, and the extension service in developing and sponsoring educational opportunities, leadership training, and business/financial training for YBS farmers and ranchers. The Association and board of directors also annually host the Canyon FFA Ag Issues Team, who give a mock presentation during one board meeting. Finally, Plains Land Bank is a sponsor of a classroom in the new West Texas A&M University Ag Complex to be completed for the Fall Semester 2018.

    - West Texas A&M University Ag Development Association – Four Association officers are currently on the board of directors for the Ag Development Association. Ag Development is involved in the ongoing growth and development of a dynamic collegiate agriculture program.

    - Agriculture/Community Boards/Committees – Several Association officers are members of local agricultural (FFA, 4-H, Ag Group, County/City Ag), as well as non-agricultural committees/boards. This exposes many existing or potential YBS producers to Farm Credit and this Association.

    - TALL – The Texas Agricultural Lifetime Leadership program is sponsored by Texas A&M System AgriLife Extension Service. The Association sponsors and participates in the TALL program.

    - YBS Section-Website – The website details the Association's commitment to identify and meet the needs of young, beginning and small operators. It features press releases on recent Association scholarship recipients, YBS programs available to applicants and The Farm Credit Young Leaders Program, to name a few. All of which are designed to benefit and educate the YBS operator.

    - Media –

        - Print: Both the district-wide portion of the *Landscapes* publication, as well as the Association insert, frequently feature articles on YBS operators. The insert also features the Association scholarship winners. *Landscapes* is mailed to existing and potential borrowers, as well as to title companies, realtors and other prospects, many of whom are eligible for the YBS program.
        - Radio: Several Association officers participate in live or recorded interviews with local radio stations to promote area agricultural (including YBS) events and programs.
        - Television: Television ads feature some of the Association's YBS borrowers.

- Farm Credit Young Leaders Program – Sponsored by the Farm Credit Bank of Texas, the Association participates in this program each year. It is designed to give key stockholders an overview of the Farm Credit System and an opportunity to interact with System leaders and decision-makers in our nation's capital. The Farm Credit Young Leaders Program is generally targeted to existing young stockholders of the Association.

Quarterly reports are provided to the Association's board of directors detailing the number and volume of YBS customers in the portfolio. The Association also reports all of the YBS activity to the board on a quarterly basis.