2017 ANNUAL REPORT

Farm Credit Services of Mandan, ACA

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MESSAGE FROM CHIEF EXECUTIVE OFFICER

Dear Farm Credit Services of Mandan Member:

I am pleased to provide you with the 2017 Annual Report for Farm Credit Services of Mandan. Even with the challenges in the agriculture sector, your cooperative had another strong year in 2017. As a member-owned cooperative, dedicated to serving agriculture and rural communities in SW North Dakota, your association remains focused on supporting our members and ensuring that they have a dependable and stable source of credit and related services through all economic cycles.

I encourage you to review the report's financial statements, footnotes, and "Management Discussion and Analysis" to learn more about your association's success. Some of the 2017 financial highlights include:

- Net earnings of $22.8 million
- Financially related services income of $4.6 million
- Year-end capital of $231 million
- Average loan asset growth of 3%
- Credit quality remained strong at 98.7% acceptable

As a member of Farm Credit Services of Mandan, you share in the success of your cooperative through our continued patronage program. Our performance and strong financial position allowed the Board of Directors to declare a cash patronage distribution of $2.6 million for 2017.This is an increase of $0.5 million from 2016 and equates to an average payout of approximately 34 basis points. The remainder of our 2017 profits are reinvested in the cooperative to position your association for the future of supporting agriculture and rural communities in SW North Dakota. We believe this is especially important as we continue to see challenges in the agriculture economy going forward. Lower projected net farm income, low prices for most major commodities and increasing interest rates will likely persist for the next several years. These challenges will also likely impact the Association's earnings, credit quality, and growth opportunities. However, often during times like these, opportunities arise and we believe that through sound financial management and prudent risk management, Farm Credit Services of Mandan is well positioned to provide sound and constructive credit to our customers for many years to come.

I am also proud to announce that the board of directors has approved the construction of a new office building for the Dickinson branch. Plans are for staff to move into the new building by the end of June 2018. I am excited to have a new facility for our staff, customers, and the agriculture community. Our current facility is not handicap accessible, has very limited parking, and has no room for expansion. This investment reaffirms our commitment to the Dickinson community which is a retail hub for western ND.

Lastly, our association has had many tenured staff retire over the past few years. It has been a challenge to replace their experience. Fortunately, we have been able to attract a number of high quality employees to serve our customer's needs well into the future. Our products, continuing education and training have enabled our staff to provide the best in customer service. We remain committed to help you achieve your goals and objectives in 2018 and beyond. The hard work of our experienced staff, and the energy and ideas of our new employees, has made for a positive succession for the association, the stockholders, and the rural communities we serve.

We appreciate the opportunity to make a difference in your operation and wish you all the best in 2018.

Aaron Vetter

Aaron Vetter
Chief Executive Officer
Farm Credit Services of Mandan, ACA

March 6, 2018

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Farm Credit Services of Mandan, ACA

(dollars in thousands)

As of December 31	2017	2016	2015	2014	2013
Statement of Condition Data					
Loans	**$ 1,101,613**	$ 1,047,773	$ 1,015,414	$ 924,087	$ 839,198
Allowance for loan losses	**2,992**	2,769	2,057	1,954	2,041
Net loans	**1,098,621**	1,045,004	1,013,357	922,133	837,157
Investment in AgriBank, FCB	**20,956**	20,903	20,043	18,056	18,480
Other assets	**28,886**	25,033	22,463	22,058	18,044
Total assets	**$ 1,148,463**	$ 1,090,940	$ 1,055,863	$ 962,247	$ 873,681
Obligations with maturities of one year or less	**$ 13,989**	$ 878,935	$ 860,458	$ 782,620	$ 710,414
Obligations with maturities greater than one year	**903,472**	--	--	--	--
Total liabilities	**917,461**	878,935	860,458	782,620	710,414
Capital stock and participation certificates	**2,272**	2,375	2,435	2,468	2,519
Unallocated surplus	**229,866**	209,630	192,970	177,159	160,748
Accumulated other comprehensive loss	**(1,136)**	--	--	--	--
Total members' equity	**231,002**	212,005	195,405	179,627	163,267
Total liabilities and members' equity	**$ 1,148,463**	$ 1,090,940	$ 1,055,863	$ 962,247	$ 873,681
For the year ended December 31	**2017**	2016	2015	2014	2013
Statement of Income Data					
Net interest income	**$ 31,575**	$ 29,030	$ 28,868	$ 27,225	$ 25,041
Provision for (reversal of) loan losses	**367**	1,060	463	(243)	256
Other expenses, net	**8,373**	9,188	10,520	8,857	8,468
Net income	**$ 22,835**	$ 18,782	$ 17,885	$ 18,611	$ 16,317
Key Financial Ratios					
For the Year					
Return on average assets	**2.0%**	1.7%	1.8%	2.1%	2.0%
Return on average members' equity	**10.3%**	9.2%	9.5%	10.9%	10.4%
Net interest income as a percentage of average earning assets	**2.9%**	2.8%	3.0%	3.1%	3.1%
At Year End					
Members' equity as a percentage of total assets	**20.1%**	19.4%	18.5%	18.7%	18.7%
Allowance for loan losses as a percentage of loans	**0.3%**	0.3%	0.2%	0.2%	0.2%
Capital ratios effective beginning January 1, 2017:					
Permanent capital ratio	**16.2%**	N/A	N/A	N/A	N/A
Common equity tier 1 ratio	**16.1%**	N/A	N/A	N/A	N/A
Tier 1 capital ratio	**16.1%**	N/A	N/A	N/A	N/A
Total capital ratio	**16.4%**	N/A	N/A	N/A	N/A
Tier 1 leverage ratio	**18.7%**	N/A	N/A	N/A	N/A
Capital ratios effective prior to 2017:					
Permanent capital ratio	**N/A**	15.7%	15.0%	15.0%	14.4%
Total surplus ratio	**N/A**	15.5%	14.8%	14.8%	14.2%
Core surplus ratio	**N/A**	15.5%	14.8%	14.8%	14.2%
Net Income Distributed					
For the Year					
Patronage distribution payable to members	**$ 2,600**	$ 2,124	$ 2,075	$ 2,200	$ 2,000

The patronage distribution to members accrued for the year ended December 31, 2017 was distributed in cash during the first quarter of 2018. The patronage distributions accrued for the years ended December 31, 2016, 2015, 2014, and 2013 were distributed in cash during the first quarter of each subsequent year. No income was distributed to members in the form of dividends, stock, or allocated surplus during these periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Farm Credit Services of Mandan, ACA

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Services of Mandan, ACA (the Association) and its subsidiaries, Farm Credit Services of Mandan, FLCA and Farm Credit Services of Mandan, PCA and provides additional specific information. The accompanying Consolidated Financial Statements and Notes to the Consolidated Financial Statements also contain important information about our financial condition and results of operations.

The Farm Credit System (System) is a nationwide system of cooperatively owned banks and associations established by Congress to meet the credit needs of American agriculture. As of January 1, 2018, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 69 customer-owned cooperative lending institutions (associations). The System serves all 50 states, Washington D.C., and Puerto Rico. This network of financial cooperatives is owned and governed by the rural customers the System serves.

AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). We are an association in the District.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System. The Farm Credit System Insurance Corporation (FCSIC) ensures the timely payment of principal and interest on Systemwide debt obligations and the retirement of protected borrower capital at par or stated value.

Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of the AgriBank or the AgriBank District financial reports, contact us at:

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Our Annual Report is available on our website no later than 75 days after the end of the calendar year and members are provided a copy of such report no later than 90 days after the end of the calendar year. The Quarterly Reports are available on our website no later than 40 days after the end of each calendar quarter. To request free copies of our Annual or Quarterly Reports, contact us as stated above.

FORWARD-LOOKING INFORMATION

This Annual Report includes 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 "anticipate", "believe", "estimate", "may", "expect", "intend", "outlook", and similar expressions are used to identify such forward-looking statements. These statements reflect our current views with respect to future events. However, actual results may differ materially from our expectations due to a number of risks and uncertainties which may be beyond our control. These risks and uncertainties include, but are not limited to:

- Political, legal, regulatory, financial markets, international, and economic conditions and developments in the United States (U.S.) and abroad
- Economic fluctuations in the agricultural and farm-related business sectors
- Unfavorable weather, disease, and other adverse climatic or biological conditions that periodically occur and impact agricultural productivity and income
- Changes in U.S. government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency actions relating to events involving the U.S. government, other government-sponsored enterprises, and other financial institutions
- Actions taken by the Federal Reserve System in implementing monetary policy
- Credit, interest rate, and liquidity risks inherent in our lending activities
- Changes in our assumptions for determining the allowance for loan losses and fair value measurements

AGRICULTURAL AND ECONOMIC CONDITIONS

The predominant commodities produced in our 20 county service area are small grains, corn, and beef cattle. Many producers also raise sunflowers, soybeans, and canola in order to rotate crops and further diversify their operations.

Dry conditions were prevalent throughout the territory this past growing season. Production results from the 2017 small grain harvest varied from satisfactory with good yields and quality for producers in the east and central portion of our territory to marginal in the southwest corner. Most counties in our territory had varying levels of drought conditions by mid-summer. Those conditions have eased in some areas due to moderate late summer rainfall; however, counties in the western edge of our territory continue to remain dry. The additional moisture improved yields for row and oil crops, late seeded hay and forage crops, along with pasture conditions in some areas. Many small grains in marginal areas were released by crop insurance and cut for hay. Commodity prices, particularly for small grains, have slightly improved from 2016 levels. Average or below 2017 production, combined with current prices, will limit profitability for some grain operations. Many producers have crop insurance coverage and government payments to help offset production and revenue losses.

Livestock prices have moderated after experiencing a significant decline during the past two years. Producers with cow/calf operations should realize modest profitability in 2017; however, the dry spring and summer conditions caused producers to make some adjustments. Some grazed hay land acres where hay production was affected with the plan of buying winter hay supplies and a few producers reduced herd numbers. Some feeder operations were able to show profitability this past year by capitalizing on cheaper feed costs and the improving cattle market.

Several USDA programs are available to producers. Emergency haying and grazing of CRP was approved. Additionally, a livestock forage payment is available to livestock producers that suffered grazing losses.

Real estate sales have softened but still remain strong. Purchases of machinery have continued to be slow, particularly for crop producers.

Despite the above challenges, nearly all producers will continue to modify their operations to remain profitable, obtain financing and continue operating their farm or ranch.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $1.1 billion at December 31, 2017, an increase of $53.8 million from December 31, 2016.

Components of Loans

(in thousands)

As of December 31	**2017**	2016	2015
Accrual loans:			
Real estate mortgage	**$ 379,080**	$ 347,642	$ 323,927
Production and intermediate term	**406,423**	428,641	447,499
Agribusiness	**205,026**	171,558	142,811
Other	**109,633**	99,349	98,696
Nonaccrual loans	**1,451**	583	2,481
Total loans	**$ 1,101,613**	$ 1,047,773	$ 1,015,414

The other category is primarily comprised of energy, communication, international, and water and waste water loans and certain assets originated under the mission related investment authority.

The increase in total loans from December 31, 2016 was primarily due to increases in real estate mortgage loans and our agribusiness portfolio affiliated with our Commercial Finance Group (CFG) alliance.

We offer variable, fixed, indexed, and adjustable interest rate loan programs to our borrowers. We determine interest margins charged on each lending program based on cost of funds, credit risk, market conditions, and the need to generate sufficient earnings. We also offer lease programs through our affiliation with Farm Credit Leasing. Refer to the Relationships with other Farm Credit Institutions section of this report.

As part of the AgriBank Asset Pool program, we have sold participation interests in real estate loans to AgriBank. The total participation interests in this program were $3.1 million, $3.9 million, and $4.0 million at December 31, 2017, 2016, and 2015, respectively.

Portfolio Distribution

We are chartered to serve certain counties in southwestern North Dakota. Approximately 20.5% of our total loan portfolio was in Morton, Burleigh and Stark counties at December 31, 2017.

Agricultural Concentrations

As of December 31	**2017**	2016	2015
Cash grains excluding wheat	**31.8%**	33.9%	34.8%
Processing and marketing	**17.7%**	16.6%	14.4%
General livestock	**17.3%**	17.3%	16.4%
Beef and cattle	**11.5%**	11.9%	13.4%
Wheat	**4.9%**	5.3%	5.8%
Landlords	**4.5%**	4.6%	4.5%
Other	**12.2%**	10.4%	10.7%
Total	**100.0%**	100.0%	100.0%

Commodities are based on the borrower's primary intended commodity at the time of loan origination and may change due to borrower business decisions as a result of changes in weather, prices, input costs, and other circumstances.

Our production and intermediate term loan portfolio exhibits some seasonality relating to patterns of operating loans made to crop producers. These loans are normally at their lowest levels following the harvest and then increase in the spring and throughout the rest of the year as borrowers fund operating needs.

Portfolio Credit Quality

The credit quality of our portfolio declined from December 31, 2016. Adversely classified loans increased to 1.3% of the portfolio at December 31, 2017, from 1.1% of the portfolio at December 31, 2016. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, government guarantee programs are used to reduce the risk of loss. At December 31, 2017, $21.3 million of our loans were, to some level, guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands)

As of December 31	**2017**	2016	2015
Loans:			
Nonaccrual	**$ 1,451**	$ 583	$ 2,481
Accruing restructured	**7**	880	2
Accruing loans 90 days or more past due	**281**	472	34
Total risk assets	**$ 1,739**	$ 1,935	$ 2,517
Total risk loans as a percentage of total loans	**0.2%**	0.2%	0.2%
Nonaccrual loans as a percentage of total loans	**0.1%**	0.1%	0.2%
Current nonaccrual loans as a percentage of total nonaccrual loans	**16.8%**	15.8%	81.0%
Total delinquencies as a percentage of total loans	**0.6%**	1.3%	0.1%

Note: Accruing loans include accrued interest receivable.

Our risk assets have decreased from December 31, 2016, and remained at acceptable levels. Total risk loans as a percentage of total loans were well within our established risk management guidelines.

The increase in nonaccrual loans was primarily due to one customer with production and intermediate term loans being transferred to nonaccrual status in 2017. Nonaccrual loans remained at an acceptable level at December 31, 2017, 2016, and 2015.

The decrease in accruing restructured loans was primarily due to certain communication loans being refinanced at market terms during 2017.

The decrease in accruing loans 90 days or more past due was primarily due to a reduction in delinquencies in the production and intermediate term loan category. Our accounting policy requires loans past due 90 days or more to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis, accruing loans 90 days or more past due were eligible to remain in accruing status.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on the periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Allowance Coverage Ratios

As of December 31	**2017**	2016	2015
Allowance as a percentage of:			
Loans	**0.3%**	0.3%	0.2%
Nonaccrual loans	**206.2%**	475.0%	82.9%
Total risk loans	**172.1%**	143.1%	81.7%
Adverse assets to risk funds	**7.0%**	6.1%	6.0%

Note: Risk funds includes permanent capital and allowance for loan losses.

The increase in the allowance for loan losses resulted from a decline in overall credit quality, loan growth, and positioning in the range of loss estimates**.** In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at December 31, 2017.

Additional loan information is included in Notes 3, 9, 10, and 11 to the accompanying Consolidated Financial Statements.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the year ended December 31	**2017**	2016	2015
Net income	**$ 22,835**	$ 18,782	$ 17,885
Return on average assets	**2.0%**	1.7%	1.8%
Return on average members' equity	**10.3%**	9.2%	9.5%

Changes in the chart above relate directly to:

- Changes in income discussed below
- Changes in assets discussed in the Loan sections
- Changes in capital discussed in the Capital Adequacy section

Changes in Significant Components of Net Income

	For the year ended December 31			Increase (decrease) in net income	
(in thousands)	**2017**	2016	2015	**2017 vs 2016**	2016 vs 2015
Net interest income	**$ 31,575**	$ 29,030	$ 28,868	**$ 2,545**	$ 162
Provision for loan losses	**367**	1,060	463	**693**	(597)
Patronage income	**4,762**	3,938	2,187	**824**	1,751
Other income, net	**5,831**	5,821	5,665	**10**	156
Operating expenses	**18,035**	17,704	16,790	**(331)**	(914)
Provision for income taxes	**931**	1,243	1,582	**312**	339
Net income	**$ 22,835**	$ 18,782	$ 17,885	**$ 4,053**	$ 897

Net Interest Income

Changes in Net Interest Income

(in thousands)

For the year ended December 31	**2017 vs 2016**	2016 vs 2015
Changes in volume	**$ 937**	$ 2,788
Changes in interest rates	**1,648**	(2,802)
Changes in nonaccrual income and other	**(40)**	176
Net change	**$ 2,545**	$ 162

Net interest income included income on nonaccrual loans that totaled $229 thousand, $269 thousand, and $93 thousand in 2017, 2016, and 2015, respectively. Nonaccrual income is recognized when received in cash, collection of the recorded investment is fully expected, and prior charge-offs have been recovered.

Net interest margin (net interest income as a percentage of average earning assets) was 2.9%, 2.8%, and 3.0% in 2017, 2016, and 2015, respectively. We expect margins may compress further in the future if interest rates continue to rise and competition increases.

Provision for Loan Losses

The fluctuation in the provision for loan losses was related to our estimate of losses in our portfolio for the applicable years. Additional discussion is included in Note 3 to the accompanying Consolidated Financial Statements.

Patronage Income

We may receive patronage from AgriBank and other Farm Credit Institutions. Patronage distributions from other Farm Credit Institutions are declared solely at the discretion of each institution's Board of Directors. Patronage and equalization distributions for the programs discussed below are declared solely at the discretion of AgriBank's Board of Directors.

Patronage Income

(in thousands)

For the year ended December 31	**2017**	2016	2015
Wholesale patronage	**$ 4,627**	$ 3,810	$ 2,064
Equalization income	**15**	13	6
Asset pool patronage	**110**	105	111
Other Farm Credit institutions	**10**	10	6
Total patronage income	$ 4,762	$ 3,938	$ 2,187

Wholesale patronage income is based on the average balance of our note payable to AgriBank. The patronage rates were 45.0 basis points, 25.6 basis points, and 26.0 basis points in 2017, 2016, and 2015, respectively. The increase in the patronage rate in 2017 was primarily due to a change in AgriBank's capital plan effective July 1, 2017. The capital plan was modified to pay out 100% of net earnings beginning in 2017. Previously 50% of net earnings was paid. See the Relationship with AgriBank section for further discussion on patronage income.

Equalization is determined based on the quarterly average balance of stock in excess of our AgriBank required investment. Prior to 2017, we earned equalization on any stock investment in AgriBank required to be held when our growth exceeded a targeted growth rate. The equalization rate is targeted at the average cost of funds for all District associations as a group.

Since 2008, we have participated in the AgriBank Asset Pool program in which we sell participation interests in certain real estate loans to AgriBank. As part of this program, we received patronage income in an amount that approximated the net earnings of the loans. Net earnings represents the net interest income associated with these loans adjusted for certain fees and costs specific to the related loans as well as adjustments deemed appropriate by AgriBank related to the credit performance of the loans, as applicable. In addition, we received patronage income in an amount that approximated the wholesale patronage had we retained the volume.

Operating Expenses

Components of Operating Expenses

(dollars in thousands)

For the year ended December 31	**2017**	2016	2015
Salaries and employee benefits	**$ 12,198**	$ 11,810	$ 11,511
Purchased and vendor services	**1,051**	1,037	953
Communications	**100**	101	104
Occupancy and equipment	**905**	900	961
Advertising and promotion	**404**	428	397
Examination	**456**	389	334
Farm Credit System insurance	**1,362**	1,527	1,072
Other	**1,559**	1,512	1,458
Total operating expenses	**$ 18,035**	$ 17,704	$ 16,790
Operating rate	**1.7%**	1.7%	1.8%

Salaries and employee benefits expense increased primarily due to an increase in employee salary expenses.

The Farm Credit System insurance expense decreased in 2017 primarily due to a lower premium rate charged by FCSIC on accrual loans from 16 basis points for the first half and 18 basis points for the second half of 2016 to 15 basis points for the calendar year 2017. The FCSIC has announced premiums will decrease to 9 basis points for 2018. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time.

Provision for Income Taxes

The variance in provision for income taxes was related to our estimate of taxes based on taxable income. Patronage distributions to members reduced our tax liability in 2017, 2016, and 2015. Additional discussion is included in Note 7 to the accompanying Consolidated Financial Statements.

FUNDING AND LIQUIDITY

We borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 5 to the accompanying Consolidated Financial Statements. This line of credit is our primary source of liquidity and is used to fund operations and meet current obligations. At December 31, 2017, we had $493 million available under our line of credit. We generally apply excess cash to this line of credit.

Note Payable Information

(dollars in thousands)

For the year ended December 31	**2017**	2016	2015
Average balance	**$ 889,799**	$ 874,933	$ 793,738
Average interest rate	**1.7%**	1.4%	1.0%

The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future.

A further source of lendable funds is from unallocated surplus. In addition, with approval from AgriBank, on July 24, 2006, we entered into a loan agreement with CoBank, ACB (CoBank), a System bank, to obtain funding in the amount not to exceed $20.0 million in connection with specific CoBank related transactions. The interest rate on such indebtedness is established at the time of the related transactions. No CoBank related transactions occurred in 2017, 2016, or 2015 and as of December 31, 2017, there is no outstanding balance on this agreement.

CAPITAL ADEQUACY

Total members' equity was $231.0 million, $212.0 million, and $195.4 million at December 31, 2017, 2016, and 2015, respectively. Total members' equity increased $19.0 million from December 31, 2016, primarily due to net income for the year partially offset by patronage distribution accruals. Accumulated other comprehensive loss is the impact of prior service cost and unamortized actuarial gain/loss related to the Pension Restoration Plan. Additional Pension Restoration Plan information is included in Note 8 to the accompanying Consolidated Financial Statements.

The FCA Regulations require us to maintain minimums for various regulatory capital ratios. 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 ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations.

Regulatory Capital Requirements and Ratios

As of December 31	**2017**	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:				
Common equity tier 1 ratio	**16.1%**	4.5%	2.5%*	7.0%
Tier 1 capital ratio	**16.1%**	6.0%	2.5%*	8.5%
Total capital ratio	**16.4%**	8.0%	2.5%*	10.5%
Permanent capital ratio	**16.2%**	7.0%	N/A	7.0%
Non-risk-adjusted:				
Tier 1 leverage ratio	**18.7%**	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**19.1%**	1.5%	N/A	1.5%

*The 2.5% capital conservation buffer over risk-adjusted ratio minimums will be phased in over three years under the FCA capital requirements.

Our capital plan is designed to maintain an adequate amount of surplus and allowance for loan losses which represents our reserve for adversity prior to impairment of stock. We manage our capital to allow us to meet member needs and protect member interests, both now and in the future.

Additional discussion of these regulatory ratios is included in Note 6 to the accompanying Consolidated Financial Statements.

In addition to these regulatory requirements, we establish an optimum total capital target range. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target is subject to revision as circumstances change. Our optimum total capital target range is 14% to 18%, as defined in our 2018 capital plan.

Capital ratios are directly impacted by changes in capital, assets, and off-balance sheet commitments. Refer to the Loan Portfolio section for further discussion of the changes in assets. Additional members' equity information is included in Note 6 to the accompanying Consolidated Financial Statements. Refer to Note 6 in our Annual Report for the year ended December 31, 2016, for a more complete description of the ratios effective as of December 31, 2016 and 2015. We were in compliance with the minimum required capital ratios as of December 31, 2016, and 2015.

RELATIONSHIP WITH AGRIBANK

Borrowing

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A General Financing Agreement (GFA), as discussed in Note 5 to the accompanying Consolidated Financial Statements, governs this lending relationship.

The components of cost of funds under the GFA include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

In the periods presented, we were not subject to the risk premium component. Certain factors may impact our cost of funds, which primarily include market interest rate changes impacting marginal cost of debt as well as changes to pricing methodologies impacting the spread components described above.

The marginal cost of debt approach simulates matching the cost of underlying debt with similar terms as the anticipated terms of our loans to borrowers. This approach substantially protects us from market interest rate risk. We may occasionally engage in funding strategies that result in limited interest rate risk with approval by AgriBank's Asset Liability Committee.

Investment

We are required to invest in AgriBank capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing distributed AgriBank surplus. As of December 31, 2017, we were required by AgriBank to maintain an investment equal to 2.25% of the average quarterly balance of our note payable, with an additional amount required on association growth in excess of a targeted growth rate, if the District is also growing above a targeted growth rate.

As of December 31, 2017, we were required to hold AgriBank stock equal to 8.0% of the quarter end balance in the AgriBank Asset Pool program.

At December 31, 2017, our investment in AgriBank was $21.0 million, of which, $14.8 million consisted of stock representing distributed AgriBank surplus and $6.2 million consisted of purchased investment. For the periods presented in this report, we have received no dividend income on this stock investment and we do not anticipate any in future years.

Patronage

AgriBank has amended its capital plan effective July 1, 2017, to provide for adequate capital at AgriBank under the new capital regulations as well as to create a path to long-term capital optimization within the AgriBank District. The plan optimizes capital at AgriBank; distributing available AgriBank earnings in the form of patronage, either cash or stock. A key part of these changes involves maintaining capital adequacy such that sufficient earnings will be retained in the form of unallocated retained earnings and allocated stock to meet the leverage ratio target and other regulatory or policy constraints prior to any cash patronage distributions.

We receive different types of discretionary patronage from AgriBank. Beginning in 2017, patronage income earned may be paid in cash and AgriBank stock. Patronage income for 2017, 2016, and 2015 was paid in the form of cash. AgriBank's Board of Directors sets the level of:

- Wholesale patronage which includes:
  - Patronage on our note payable with AgriBank
  - Equalization patronage based on our excess stock in AgriBank
- Patronage based on the balance and net earnings of loans in the AgriBank Asset Pool program

Purchased Services

We purchase various services from AgriBank including certain financial and retail systems, financial reporting services, tax reporting services, technology services, insurance services, and internal audit services.

The total cost of services we purchased from AgriBank was $536 thousand, $465 thousand, and $435 thousand in 2017, 2016, and 2015, respectively.

During 2016, District associations and AgriBank conducted research related to the creation of a separate service entity to provide many of the business services offered by AgriBank. A separate service entity allows District associations and AgriBank to develop and maintain long-term, cost effective technology and business services. The service entity would be owned by certain District associations and AgriBank and will be named SunStream Business Services (SunStream). An application to form the service entity was submitted in May 2017 to the FCA for approval.

Impact on Members' Investment

Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially impact our members' investment.

OTHER RELATIONSHIPS AND PROGRAMS

Relationships with Other Farm Credit Institutions

FCS Commercial Finance Group: We participate in the FCS Commercial Finance Group (CFG) alliance with certain other associations in the AgriBank District to better meet the financial needs of agricultural producers and agribusiness operations. CFG is directed by representatives from participating associations. The income, expense, and credit risks are allocated based on each association's participation interest of the CFG volume. Each association determines its commitment for new volume opportunities based on its capacity and preferences. We had $307.0 million, $268.3 million, and $233.6 million of CFG volume at December 31, 2017, 2016, and 2015, respectively. We also had $151.3 million of available commitment on CFG loans at December 31, 2017.

ProPartners Financial: We participate in ProPartners Financial (ProPartners) alliance with certain other associations in the Farm Credit System to provide producer financing through agribusinesses that sell crop inputs. ProPartners is directed by representatives from participating associations. The income, expense, and credit risks are allocated based on each association's participation interest of the ProPartners volume. Each association's allocation is established based on mutual agreement of the owners. We had $42.1 million, $42.9 million, and $44.3 million of ProPartners volume at December 31, 2017, 2016, and 2015, respectively. We also had $54.9 million of available commitment on ProPartners loans at December 31, 2017.

Insight Technology Unit: We participate in the Insight Technology Unit (Insight) with certain other AgriBank District associations to facilitate the development and maintenance of certain retail technology systems essential to providing credit to our borrowers. Insight is governed by representatives of each participating association. The expenses are shared pro rata based on the number of loans and leases of each participant. In 2018, we will begin participating in CentRic Technology Collaboration (CTC) with certain other AgriBank District associations. The CTC will use the CentRic front end system, which is maintained by another AgriBank District association. The expenses of the CTC will be allocated to each of the participating associations based on an agreed upon formula. The systems developed are owned by each of the participating associations.

FCS of North Dakota, ACA: Effective January 1, 2017, we formed an alliance with FCS of North Dakota, ACA to integrate the associations' Technology Departments. All IT staff are jointly employed and managed by both associations.

Farm Credit Leasing: We have an agreement with Farm Credit Leasing (FCL), a System entity specializing in leasing products and providing industry expertise. Leases are originated and serviced by FCL and we purchase a participation interest in the cash flows of the transaction. This arrangement provides our members with a broad selection of product offerings and enhanced lease expertise.

CoBank, ACB: In addition to the lending relationship described in the Funding and Liquidity section, we have a relationship with CoBank, ACB (CoBank), a System bank, which involves purchasing participation interests in loans. As part of this relationship, our equity investment in CoBank was $13 thousand, $21 thousand, and $31 thousand at December 31, 2017, 2016, and 2015, respectively.

Farm Credit Foundations: We have a relationship with Farm Credit Foundations (Foundations), which involves purchasing human resource information systems, and benefit, payroll, and workforce management services. As of December 31, 2017, 2016, and 2015, our investment in Foundations was $17 thousand. The total cost of services we purchased from Foundations was $112 thousand, $102 thousand, and $89 thousand in 2017, 2016, and 2015, respectively.

Programs

We are involved in a number of programs designed to improve our credit delivery, related services, and marketplace presence.

Equipment Financing: We have entered into agreements with certain dealer networks to provide alternative service delivery channels to borrowers. These trade credit opportunities create more flexible and accessible financing options to borrowers through dealer point-of-purchase financing programs.

AgriSolutions: We have an alliance with AgriSolutions, a farm software and consulting company, to provide farm records, income tax planning and preparation services, farm business consulting, and producer education seminars.

Farm Cash Management: We offer Farm Cash Management to our members. Farm Cash Management links members' revolving lines of credit with an AgriBank investment bond to optimize members' use of funds.

REPORT OF MANAGEMENT

Farm Credit Services of Mandan, ACA

We prepare the Consolidated Financial Statements of Farm Credit Services of Mandan, ACA (the Association) and are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Consolidated Financial Statements, in our opinion, fairly present the financial condition of the Association. Other financial information included in the Annual Report is consistent with that in the Consolidated Financial Statements.

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable, but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audits the Consolidated Financial Statements. They also consider internal controls to the extent necessary to design audit procedures that comply with auditing standards generally accepted in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consults regularly with us and meets periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is composed solely of directors who are not officers or employees of the Association.

The undersigned certify we have reviewed the Association's Annual Report, which has been prepared in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

James Vander Vorst
Chairperson of the Board
Farm Credit Services of Mandan, ACA

Aaron Vetter
Chief Executive Officer
Farm Credit Services of Mandan, ACA

Sandy Nagel
Vice President – Corporate Finance
Farm Credit Services of Mandan, ACA

March 6, 2018

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Farm Credit Services of Mandan, ACA

The Farm Credit Services of Mandan, ACA (the Association) principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2017. In making the assessment, management used the 2013 framework in Internal Control — Integrated Framework, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of December 31, 2017, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2017.

Aaron Vetter

Aaron Vetter
Chief Executive Officer
Farm Credit Services of Mandan, ACA

Sandy Nagel

Sandy Nagel
Vice President – Corporate Finance
Farm Credit Services of Mandan, ACA

March 6, 2018

REPORT OF AUDIT COMMITTEE

Farm Credit Services of Mandan, ACA

The Consolidated Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of the entire Board of Directors of Farm Credit Services of Mandan, ACA (the Association). The Audit Committee oversees the scope of the Association's internal audit program, the approval, and independence of PricewaterhouseCoopers LLP (PwC) as independent auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's actions with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for internal controls and the preparation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the Consolidated Financial Statements in accordance with auditing standards generally accepted in the United States of America and to issue their report based on their audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited Consolidated Financial Statements for the year ended December 31, 2017, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards AU-C 260, *The Auditor's Communication with Those Charged with Governance*, and both PwC and the internal auditors directly provided reports on any significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC any other matters and received any assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors include the audited Consolidated Financial Statements in the Annual Report for the year ended December 31, 2017.

James Vander Vorst
Chairperson of the Audit Committee
Farm Credit Services of Mandan, ACA

Other Members of the Audit Committee:

Becky Hansen
Clair Hauge
Carson Kouba
Dawn Martin
Cary Moch
Allen Roshau
Michael Schaaf
Michael Schneider
Fred Stern

March 6, 2018

Report of Independent Auditors

To the Board of Directors of Farm Credit Services of Mandan, ACA,

We have audited the accompanying Consolidated Financial Statements of Farm Credit Services of Mandan, ACA and its subsidiaries (the Association), which comprise the consolidated statements of condition as of December 31, 2017, 2016, and 2015, and the related consolidated statements of 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 Farm Credit Services of Mandan, ACA and its subsidiaries as of December 31, 2017, 2016, and 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 6, 2018

PricewaterhouseCoopers LLP, 45 South Seventh Street, Suite 3400, Minneapolis, MN 55402
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CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Services of Mandan, ACA

(in thousands)

As of December 31	**2017**	2016	2015
ASSETS			
Loans	**$ 1,101,613**	$ 1,047,773	$ 1,015,414
Allowance for loan losses	**2,992**	2,769	2,057
Net loans	**1,098,621**	1,045,004	1,013,357
Investment in AgriBank, FCB	**20,956**	20,903	20,043
Accrued interest receivable	**14,626**	13,869	12,449
Other assets	**14,260**	11,164	10,014
Total assets	**$ 1,148,463**	$ 1,090,940	$ 1,055,863
LIABILITIES			
Note payable to AgriBank, FCB	**$ 903,472**	$ 867,311	$ 850,673
Accrued interest payable	**4,085**	3,116	2,106
Deferred tax liabilities, net	**518**	600	713
Patronage distribution payable	**2,600**	2,124	2,075
Other liabilities	**6,786**	5,784	4,891
Total liabilities	**917,461**	878,935	860,458
Contingencies and commitments (Note 10)			
MEMBERS' EQUITY			
Capital stock and participation certificates	**2,272**	2,375	2,435
Unallocated surplus	**229,866**	209,630	192,970
Accumulated other comprehensive loss	**(1,136)**	--	--
Total members' equity	**231,002**	212,005	195,405
Total liabilities and members' equity	**$ 1,148,463**	$ 1,090,940	$ 1,055,863

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

Farm Credit Services of Mandan, ACA

(in thousands)

For the year ended December 31		**2017**		2016		2015
Interest income	**$**	**46,585**	$	41,011	$	36,666
Interest expense		**15,010**		11,981		7,798
Net interest income		**31,575**		29,030		28,868
Provision for loan losses		**367**		1,060		463
Net interest income after provision for loan losses		**31,208**		27,970		28,405
Other income						
Patronage income		**4,762**		3,938		2,187
Financially related services income		**4,555**		4,616		4,426
Fee income		**1,163**		1,177		1,127
Miscellaneous income, net		**113**		28		112
Total other income		**10,593**		9,759		7,852
Operating expenses						
Salaries and employee benefits		**12,198**		11,810		11,511
Other operating expenses		**5,837**		5,894		5,279
Total operating expenses		**18,035**		17,704		16,790
Income before income taxes		**23,766**		20,025		19,467
Provision for income taxes		**931**		1,243		1,582
Net income	**$**	**22,835**	$	18,782	$	17,885

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Services of Mandan, ACA

(in thousands)

	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance as of December 31, 2014	$ 2,468	$ 177,159	$ --	$ 179,627
Net income	--	17,885	--	17,885
Unallocated surplus designated for patronage distributions	--	(2,074)	--	(2,074)
Capital stock and participation certificates issued	111	--	--	111
Capital stock and participation certificates retired	(144)	--	--	(144)
Balance as of December 31, 2015	2,435	192,970	--	195,405
Net income	--	18,782	--	18,782
Unallocated surplus designated for patronage distributions	--	(2,122)	--	(2,122)
Capital stock and participation certificates issued	105	--	--	105
Capital stock and participation certificates retired	(165)	--	--	(165)
Balance as of December 31, 2016	2,375	209,630	--	212,005
Net income	**--**	**22,835**	**--**	**22,835**
Other comprehensive loss and other	**--**	**--**	**(1,136)**	**(1,136)**
Unallocated surplus designated for patronage distributions	**--**	**(2,599)**	**--**	**(2,599)**
Capital stock and participation certificates issued	**73**	**--**	**--**	**73**
Capital stock and participation certificates retired	**(176)**	**--**	**--**	**(176)**
Balance as of December 31, 2017	**$ 2,272**	**$ 229,866**	**$ (1,136)**	**$ 231,002**

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Farm Credit Services of Mandan, ACA

(in thousands)

For the year ended December 31	**2017**	2016	2015
Cash flows from operating activities			
Net income	**$ 22,835**	$ 18,782	$ 17,885
Depreciation on premises and equipment	**397**	389	379
Gain on sale of premises and equipment, net	**(72)**	(34)	(35)
Depreciation on assets held for lease	**8**	12	41
Amortization of premiums (discounts) on loans and investment securities	**52**	4	(28)
Provision for loan losses	**367**	1,060	463
Gain on other property owned, net	**--**	(3)	(1)
Changes in operating assets and liabilities:			
Increase in accrued interest receivable	**(811)**	(1,473)	(1,079)
(Increase) decrease in other assets	**(1,561)**	(1,545)	162
Increase in accrued interest payable	**969**	1,010	333
(Decrease) Increase in other liabilities	**(216)**	778	64
Net cash provided by operating activities	**21,968**	18,980	18,184
Cash flows from investing activities			
Increase in loans, net	**(53,965)**	(32,563)	(91,492)
Purchases of investment in AgriBank, FCB, net	**(53)**	(860)	(1,986)
Redemptions of investment in other Farm Credit Institutions, net	**8**	10	1
Decrease in investment securities, net	**60**	57	74
Sales of assets held for lease, net	**1**	32	58
Proceeds from sales of other property owned	**40**	3	1
Purchases of premises and equipment, net	**(1,941)**	(75)	(84)
Net cash used in investing activities	**(55,850)**	(33,396)	(93,428)
Cash flows from financing activities			
Increase in note payable to AgriBank, FCB, net	**36,161**	16,638	77,566
Patronage distributions paid	**(2,123)**	(2,072)	(2,199)
Capital stock and participation certificates retired, net	**(156)**	(150)	(123)
Net cash provided by financing activities	**33,882**	14,416	75,244
Net change in cash	**--**	--	--
Cash at beginning of year	**--**	--	--
Cash at end of year	**$ --**	$ --	$ --
Supplemental schedule of non-cash activities			
Stock financed by loan activities	**$ 70**	$ 100	$ 107
Stock applied against loan principal	**16**	9	17
Stock applied against interest	**1**	1	73
Interest transferred to loans	**53**	53	--
Loans transferred to other property owned	**40**	--	--
Patronage distributions payable to members	**2,600**	2,124	2,075
Decrease in members' equity from employee benefits	**(1,136)**	--	--
Supplemental information			
Interest paid	**$ 14,041**	$ 10,971	$ 7,465
Taxes paid, net	**1,093**	1,503	1,595

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Farm Credit Services of Mandan, ACA

NOTE 1: ORGANIZATION AND OPERATIONS

Farm Credit System and District

The Farm Credit System (System) is a nationwide system of cooperatively owned banks and associations established by Congress to meet the credit needs of American agriculture. As of January 1, 2018, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 69 customer-owned cooperative lending institutions (associations). AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). At January 1, 2018, the District consisted of 14 Agricultural Credit Associations (ACA) that each have wholly-owned Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries.

FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate-term loans. ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their subsidiaries. Associations are authorized to provide lease financing options for agricultural purposes and are also authorized to purchase and hold certain types of investments. AgriBank provides funding to all associations chartered within the District.

Associations are authorized to provide, either directly or in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers may include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related service businesses. In addition, associations can participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a System lending institution, but have operations that are functionally similar to the activities of eligible borrowers.

The Farm Credit Administration (FCA) is authorized by Congress to regulate the System banks and associations. We are examined by the FCA and certain association actions are subject to the prior approval of the FCA and/or AgriBank.

The Farm Credit Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used to ensure the timely payment of principal and interest on Farm Credit Systemwide debt obligations, to ensure the retirement of protected borrower capital at par or stated value, and for other specified purposes.

At the discretion of the FCSIC, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the FCSIC. Each System bank is required to pay premiums into the Insurance Fund until the assets in the Insurance Fund equal 2.0% of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. This percentage of aggregate obligations can be changed by the FCSIC, at its sole discretion, to a percentage it determines to be actuarially sound. The basis for assessing premiums is debt outstanding with adjustments made for nonaccrual loans and impaired investment securities which are assessed a surcharge while guaranteed loans and investment securities are deductions from the premium base. AgriBank, in turn, assesses premiums to District associations each year based on similar factors.

Association

Farm Credit Services of Mandan, ACA (the Association) and its subsidiaries, Farm Credit Services of Mandan, FLCA and Farm Credit Services of Mandan, PCA (subsidiaries) are lending institutions of the System. We are a customer-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in the counties of Adams, Billings, Bowman, Burleigh, Dunn, Emmons, Golden Valley, Grant, Hettinger, Kidder, Logan, McIntosh, Mercer, Morton, Oliver, Sioux, Slope, and Stark and in the southern portions of McLean and Sheridan counties in the state of North Dakota.

We borrow from AgriBank and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate mortgage loans and holds certain types of investments. The PCA makes short-term and intermediate-term loans.

We offer credit life, term life, credit disability, crop hail, and multi-peril crop insurance to borrowers and those eligible to borrow. We also offer farm records, income tax planning and preparation services, retirement and succession planning, and producer education services to our members.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles and Reporting Policies

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Principles of Consolidation

The Consolidated Financial Statements present the consolidated financial results of Farm Credit Services of Mandan, ACA and its subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

Significant Accounting Policies

Loans: Loans are carried at their principal amount outstanding net of any unearned income, cumulative charge-offs, unamortized deferred fees and costs on originated loans, and unamortized premiums or discounts on purchased loans. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Origination fees, net of related costs, are deferred and recognized over the life of the loan as an adjustment to net interest income. The net amount of loan fees and related origination costs are not material to the Consolidated Financial Statements taken as a whole.

Generally we place loans in nonaccrual status when principal or interest is delinquent for 90 days or more (unless the loan is well secured and in the process of collection) or circumstances indicate that full collection is not expected.

When a loan is placed in nonaccrual status, we reverse current year accrued interest to the extent principal plus accrued interest before the transfer exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year is capitalized to the recorded investment of the loan, unless the net realizable value is less than the recorded investment in the loan, then it is charged-off against the allowance for loan losses. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and the loan does not have any unrecovered prior charge-offs. In these circumstances interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Nonaccrual loans may be returned to accrual status when principal and interest are current, prior charge-offs have been recovered, the ability of the borrower to fulfill the contractual repayment terms is fully expected, the borrower has demonstrated payment performance, and the loan is not classified as doubtful or loss.

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a formally restructured loan for regulatory purposes. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as troubled debt restructurings are considered risk loans (as defined below).

Loans that are sold as participations are transferred as entire financial assets, groups of entire financial assets, or participating interests in the loans. The transfers of such assets or participating interests are structured such that control over the transferred assets, or participating interests have been surrendered and that all of the conditions have been met to be accounted for as a sale.

Allowance for Loan Losses: The allowance for loan losses is an estimate of losses in our loan portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Loans in our portfolio that are considered impaired are analyzed individually to establish a specific allowance. A loan is impaired when it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. We generally measure impairment based on the net realizable value of the collateral. Risk loans include nonaccrual loans, accruing restructured loans, and accruing loans 90 days or more past due. All risk loans are considered to be impaired loans.

We record a specific allowance to reduce the carrying amount of the risk loan by the amount the recorded investment exceeds the net realizable value of collateral. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

An allowance is recorded for probable and estimable credit losses as of the financial statement date for loans that are not individually assessed as impaired. We use a two-dimensional loan risk rating model that incorporates a 14-point rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing the loss severity. The combination of estimated default probability and loss severity is the primary basis for recognition and measurement of loan collectability of these pools of loans. These estimated losses may be adjusted for relevant current environmental factors.

Changes in the allowance for loan losses consist of provision activity, recorded in "Provision for loan losses" in the Consolidated Statements of Income, recoveries, and charge-offs.

Investment in AgriBank: Our stock investment in AgriBank is on a cost plus allocated equities basis.

Investment Securities: We are authorized to purchase and hold certain types of investments. As we have the positive intent and ability to hold these investments to maturity, they have been classified as held-to-maturity and are carried at cost adjusted for the amortization of premiums and accretion of discounts**.** If an investment is determined to be other-than-temporarily impaired, the carrying value of the security is written down to fair value. The impairment loss is separated into credit related and non-credit related components. The credit related component is expensed through "Miscellaneous income, net" in the Consolidated Statements of in the period of impairment. The non-credit related component is recognized in other comprehensive income. Purchased premiums and discounts are amortized or accreted using the straight-line method, which approximates the interest method, over the terms of the respective securities. Realized gains and losses are determined using specific identification method and are recognized in current operations.

Other Property Owned: We had no other property owned at December 31, 2017, 2016, or 2015.

Leases: We have finance and operating leases. Under finance leases, unearned income from lease contracts represents the excess of gross lease receivables plus residual receivables over the cost of leased equipment. We amortize net unearned finance lease income to earnings using the interest method. The carrying amount of finance leases is included in "Loans" in the Consolidated Statements of Condition and represents lease rent and residual receivables net of the unearned income. Under operating leases, property is recorded at cost and depreciated on a straight-line basis over the lease term to an estimated residual value. We recognize operating lease revenue evenly over the term of the lease and charge depreciation and other expenses against revenue as incurred in "Miscellaneous income, net" in the Consolidated Statements of Income. The amortized cost of operating leases is included in "Other assets" in the Consolidated Statements of Condition and represents the asset cost net of accumulated depreciation.

Post-Employment Benefit Plans: The District has various post-employment benefit plans in which our employees participate. Expenses related to these plans are included in “Salaries and employee benefits” in the Consolidated Statements of Income.

Certain employees participate in the AgriBank District Retirement Plan. The plan is comprised of two benefit formulas. At their option, employees hired prior to October 1, 2001, are on the cash balance formula or on the final average pay formula. Benefits eligible employees hired between October 1, 2001, and December 31, 2006, are on the cash balance formula. Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. The AgriBank District Retirement Plan utilizes the "Projected Unit Credit" actuarial method for financial reporting and funding purposes.

Certain employees also participate in the AgriBank District Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits. Beginning in 2017, the pension liability attributable to the Pension Restoration Plan at the Association and the related accumulated other comprehensive loss are included in the Statements of Condition.

We also provide certain health insurance benefits to eligible retired employees according to the terms of those benefit plans. The anticipated cost of these benefits is accrued during the employees’ active service period.

The defined contribution plan allows eligible employees to save for their retirement either pre-tax, post-tax, or both, with an employer match on a percentage of the employee’s contributions. We provide benefits under this plan for those employees that do not participate in the AgriBank District Retirement Plan in the form of a fixed percentage of salary contribution in addition to the employer match. Employer contributions are expensed when incurred.

We also participate in the Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the retirement savings plan if it were not for certain IRS limitations.

Income Taxes: The ACA and PCA accrue federal and state income taxes. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance. The expected future tax consequences of uncertain income tax positions are accrued.

The FLCA is exempt from federal and other taxes to the extent provided in the Farm Credit Act.

Patronage Program: We accrue patronage distributions according to a prescribed formula approved by the Board of Directors. Generally, we pay the accrued patronage during the first quarter after year end.

Off-Balance Sheet Credit Exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions. Any reserve for unfunded lending commitments and unexercised letters of credit is based on management’s best estimate of losses inherent in these instruments, but the commitments have not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement are utilized in determining a reserve, if needed. Based on our assessment, any reserve is recorded in “Other liabilities” in the Consolidated Statements of Condition and a corresponding loss is recorded in “Provision for credit losses” in the Consolidated Statements of Income. However, no such reserve was necessary as of December 31, 2017, 2016, or 2015.

Cash: For purposes of reporting cash flow, cash includes cash on hand.

Fair Value Measurement: The accounting guidance describes three levels of inputs that may be used to measure fair value.

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

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:

- Quoted prices for similar assets or liabilities in active markets
- 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, quoted prices that are not current, or principal market information that is not released publicly
- Inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks, and default rates
- Inputs derived principally from or corroborated by observable market data by correlation or other means

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. These unobservable inputs reflect the reporting entity’s own judgments 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.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standards to be applicable to our business. While we are a nonpublic entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements on the public effective date or aligned with other System institutions, whichever is earlier.

Standard	Description	Effective date and financial statement impact
In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09 "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 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 guidance. The guidance sets forth the requirement for new and enhanced disclosures.	We have adopted the new standard effective January 1, 2018, using the modified retrospective approach, as the majority of the Association's revenues are not subject to the new guidance, the adoption of the guidance did not have a material impact on the financial position, results of operations, equity, or cash flows.
In March 2017, the FASB issued ASU 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost."	This guidance requires that an employer disaggregate the service cost component from the other components of net benefit cost. Specifically, the guidance requires non-service cost components of net benefit cost to be recognized in a non-operating income line item of the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization.	The guidance is effective for public business entities for annual reporting periods beginning after December 15, 2017, including interim periods within those annual periods. For other entities, the amendments in this update are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted with certain restrictions. However, we have no plans to early adopt. We are currently evaluating the impact of the guidance on our results of operations and financial statement disclosures. The guidance will have no impact on the financial condition or cash flows.
In January 2016, the FASB issued ASU 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities."	The guidance is intended to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The amendments address certain aspects of recognition, measurement, presentation, and disclosure of financial statements.	The guidance is effective for public entities for annual reporting periods beginning after December 15, 2017, including interim periods within that year. The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Certain disclosure changes are permitted to be immediately adopted for annual reporting periods that have not yet been made available for issuance. Nonpublic entities are no longer required to include certain fair value of financial instruments disclosures as part of these disclosure changes. We have immediately adopted this guidance and have excluded such disclosures from our Notes to Consolidated Financial Statements. Early adoption is permitted for interim and annual reporting periods beginning after December 15, 2017, for other applicable sections of the guidance. We are currently evaluating the impact of the remaining guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.

Standard	Description	Effective date and financial statement impact
In February 2016, the FASB issued ASU 2016-02 “Leases.”	The guidance modifies the recognition and accounting for lessees and lessors and requires expanded disclosures regarding assumptions used to recognize revenue and expenses related to leases.	The guidance is effective for public entities for annual reporting periods beginning after December 15, 2018, including interim periods within that year. The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2019, and interim periods the subsequent year. Early adoption is permitted and modified retrospective adoption is required. However, we have no plans to early adopt. We have determined after preliminary review, this guidance will not have a material impact on our financial condition, results of operations, and financial statement disclosures, and will have no impact on combined cash flows.
In June 2016, the FASB issued ASU 2016-13 “Financial Instruments – Credit Losses.”	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.	The guidance is effective for non-U.S. Securities Exchange Commission filers for annual reporting periods beginning after December 15, 2020, including interim periods within those annual periods. The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early adoption is permitted as of annual reporting periods beginning after December 15, 2018, including interim periods within those annual periods. However, we have no plans to early adopt. We are currently evaluating the impact of the guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.

NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)		**2017**			2016			2015	
As of December 31		Amount	%		Amount	%		Amount	%
Real estate mortgage	**$**	**379,096**	**34.4%**	$	347,677	33.2%	$	324,979	32.0%
Production and intermediate term		**407,857**	**37.0%**		429,190	41.0%		448,052	44.1%
Agribusiness		**205,026**	**18.6%**		171,558	16.4%		142,811	14.1%
Other		**109,634**	**10.0%**		99,348	9.4%		99,572	9.8%
Total	**$**	**1,101,613**	**100.0%**	$	1,047,773	100.0%	$	1,015,414	100.0%

The other category is primarily comprised of energy, communication, international, and water and waste water loans and certain assets originated under the mission related investment authority.

Portfolio Concentrations

Concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities, which could cause them to be similarly impacted by economic conditions. We lend primarily within agricultural industries.

As of December 31, 2017, volume plus commitments to our ten largest borrowers totaled an amount equal to 8.7% of total loans and commitments.

Total loans plus any unfunded commitments represent a proportionate maximum potential credit risk. However, substantial portions of our lending activities are collateralized. Accordingly, the credit risk associated with lending activities is less than the recorded loan principal. 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. Long-term real estate loans are secured by the first liens on the underlying real property.

Participations

We may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, or comply with the FCA Regulations or General Financing Agreement (GFA) limitations.

Participations Purchased and Sold

(in thousands)	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2017	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	**$ --**	**$ (3,102)**	**$ 21,604**	**$ --**	**$ 2,125**	**$ (431)**	**$ 23,729**	**$ (3,533)**
Production and intermediate term	**--**	**--**	**70,243**	**--**	**116**	**(299)**	**70,359**	**(299)**
Agribusiness	**--**	**--**	**203,405**	**(2,954)**	**--**	**--**	**203,405**	**(2,954)**
Other	**--**	**--**	**130,457**	**(23,759)**	**--**	**--**	**130,457**	**(23,759)**
Total	**$ --**	**$ (3,102)**	**$ 425,709**	**$ (26,713)**	**$ 2,241**	**$ (730)**	**$ 427,950**	**$ (30,545)**

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2016	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ --	$ (3,892)	$ 14,081	$ --	$ 463	$ (1,542)	$ 14,544	$ (5,434)
Production and intermediate term	--	--	68,223	--	2,002	(510)	70,225	(510)
Agribusiness	--	--	170,877	(2,752)	855	--	171,732	(2,752)
Other	--	--	105,702	(9,410)	--	--	105,702	(9,410)
Total	$ --	$ (3,892)	$ 358,883	$ (12,162)	$ 3,320	$ (2,052)	$ 362,203	$ (18,106)

	AgriBank Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
As of December 31, 2015	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ --	$ (9,624)	$ 12,401	$ --	$ 509	$ (565)	$ 12,910	$ (10,189)
Production and intermediate term	--	--	65,448	--	1,380	(990)	66,828	(990)
Agribusiness	--	--	139,342	(1,487)	2,775	--	142,117	(1,487)
Other	--	--	102,508	(6,923)	--	--	102,508	(6,923)
Total	$ --	$ (9,624)	$ 319,699	$ (8,410)	$ 4,664	$ (1,555)	$ 324,363	$ (19,589)

Information in the preceding chart excludes loans entered into under our mission related investment authority and leasing authority.

Credit Quality and Delinquency

We utilize the FCA Uniform Classification System to categorize loans into five credit quality categories. The categories are:

- Acceptable – loans are non-criticized loans representing the highest quality. They are expected to be fully collectible. This category is further differentiated into various probabilities of default.
- Other assets especially mentioned (Special Mention) – are currently collectible but exhibit some potential weakness. These loans involve increased credit risk, but not to the point of justifying a substandard classification.
- Substandard – loans exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful – loans exhibit similar weaknesses as substandard loans. Doubtful loans have additional weaknesses in existing factors, conditions, and values that make collection in full highly questionable.
- Loss – loans are considered uncollectible.

We had no loans categorized as loss at December 31, 2017, 2016, or 2015.

Credit Quality of Loans

(dollars in thousands)	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2017	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$ 368,820**	**95.3%**	**$ 11,982**	**3.1%**	**$ 6,073**	**1.6%**	**$ 386,875**	**100.0%**
Production and intermediate term	**392,106**	**94.7%**	**15,334**	**3.7%**	**6,481**	**1.6%**	**413,921**	**100.0%**
Agribusiness	**204,498**	**99.5%**	**--**	**--**	**1,078**	**0.5%**	**205,576**	**100.0%**
Other	**107,816**	**98.1%**	**769**	**0.7%**	**1,281**	**1.2%**	**109,866**	**100.0%**
Total	**$ 1,073,240**	**96.2%**	**$ 28,085**	**2.5%**	**$ 14,913**	**1.3%**	**$ 1,116,238**	**100.0%**

As of December 31, 2016	Acceptable Amount	%	Special Mention Amount	%	Substandard/ Doubtful Amount	%	Total Amount	%
Real estate mortgage	$ 345,229	97.4%	$ 4,109	1.2%	$ 5,058	1.4%	$ 354,396	100.0%
Production and intermediate term	421,102	96.7%	10,859	2.5%	3,663	0.8%	435,624	100.0%
Agribusiness	169,486	98.5%	--	--	2,574	1.5%	172,060	100.0%
Other	95,633	96.1%	3,477	3.5%	448	0.4%	99,558	100.0%
Total	$ 1,031,450	97.2%	$ 18,445	1.7%	$ 11,743	1.1%	$ 1,061,638	100.0%

As of December 31, 2015	Acceptable Amount	%	Special Mention Amount	%	Substandard/ Doubtful Amount	%	Total Amount	%
Real estate mortgage	$ 327,230	99.0%	$ 1,761	0.5%	$ 1,734	0.5%	$ 330,725	100.0%
Production and intermediate term	445,849	98.2%	3,657	0.8%	4,654	1.0%	454,160	100.0%
Agribusiness	138,658	96.8%	1,677	1.2%	2,901	2.0%	143,236	100.0%
Other	96,630	96.8%	1,752	1.8%	1,357	1.4%	99,739	100.0%
Total	$ 1,008,367	98.1%	$ 8,847	0.9%	$ 10,646	1.0%	$ 1,027,860	100.0%

Note: Accruing loans include accrued interest receivable.

Aging Analysis of Loans

(in thousands) **As of 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	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$ 2,599**	**$ --**	**$ 2,599**	**$ 384,276**	**$ 386,875**	**$ --**
Production and intermediate term	**2,795**	**1,449**	**4,244**	**409,677**	**413,921**	**281**
Agribusiness	**--**	**--**	**--**	**205,576**	**205,576**	**--**
Other	**--**	**--**	**--**	**109,866**	**109,866**	**--**
Total	**$ 5,394**	**$ 1,449**	**$ 6,843**	**$ 1,109,395**	**$ 1,116,238**	**$ 281**

As of 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	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 3,426	$ --	$ 3,426	$ 350,970	$ 354,396	$ --
Production and intermediate term	8,011	962	8,973	426,651	435,624	472
Agribusiness	1,180	--	1,180	170,880	172,060	--
Other	--	--	--	99,558	99,558	--
Total	$ 12,617	$ 962	$ 13,579	$ 1,048,059	$ 1,061,638	$ 472

As of 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	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 156	$ 25	$ 181	$ 330,544	$ 330,725	$ 25
Production and intermediate term	815	476	1,291	452,869	454,160	9
Agribusiness	--	--	--	143,236	143,236	--
Other	--	--	--	99,739	99,739	--
Total	$ 971	$ 501	$ 1,472	$ 1,026,388	$ 1,027,860	$ 34

Note: Accruing loans include accrued interest receivable.

All loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection and, as such, were eligible to remain in accruing status.

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. Interest income recognized and cash payments received on nonaccrual risk loans are applied as described in Note 2.

Risk Loan Information

(in thousands) As of December 31	2017	2016	2015
Nonaccrual loans:			
Current as to principal and interest	**$ 244**	$ 92	$ 2,010
Past due	**1,207**	491	471
Total nonaccrual loans	**1,451**	583	2,481
Accruing restructured loans	**7**	880	2
Accruing loans 90 days or more past due	**281**	472	34
Total risk loans	**$ 1,739**	$ 1,935	$ 2,517
Volume with specific allowance	**$ 1,429**	$ 164	$ 236
Volume without specific allowance	**310**	1,771	2,281
Total risk loans	**$ 1,739**	$ 1,935	$ 2,517
Total specific allowance	**$ 249**	$ 145	$ 201

For the year ended December 31	2017	2016	2015
Income on accrual risk loans	**$ 43**	$ 63	$ 17
Income on nonaccrual loans	**229**	269	93
Total income on risk loans	**$ 272**	$ 332	$ 110
Average recorded risk loans	**$ 2,030**	$ 2,948	$ 2,494

Note: Accruing loans include accrued interest receivable.

Nonaccrual Loans by Loan Type

(in thousands) As of December 31	2017	2016	2015
Real estate mortgage	**$ 17**	$ 35	$ 1,051
Production and intermediate term	**1,434**	548	553
Other	**--**	--	877
Total	**$ 1,451**	$ 583	$ 2,481

Additional Impaired Loan Information by Loan Type

	As of December 31, 2017			For the year ended December 31, 2017	
(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Production and intermediate term	**1,429**	**1,387**	**249**	**1,340**	**--**
Total	**$ 1,429**	**$ 1,387**	**$ 249**	**$ 1,340**	**$ --**
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	**$ 17**	**$ 17**	**$ --**	**$ 273**	**$ 56**
Production and intermediate term	**293**	**910**	**--**	**275**	**206**
Other	**--**	**--**	**--**	**142**	**10**
Total	**$ 310**	**$ 927**	**$ --**	**$ 690**	**$ 272**
Total impaired loans:					
Real estate mortgage	**$ 17**	**$ 17**	**$ --**	**$ 273**	**$ 56**
Production and intermediate term	**1,722**	**2,297**	**249**	**1,615**	**206**
Other	**--**	**--**	**--**	**142**	**10**
Total	**$ 1,739**	**$ 2,314**	**$ 249**	**$ 2,030**	**$ 272**

	As of December 31, 2016			For the year ended December 31, 2016	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Production and intermediate term	164	178	145	209	--
Total	$ 164	$ 178	$ 145	$ 209	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 35	$ 35	$ --	$ 782	$ 145
Production and intermediate term	858	1,490	--	1,095	147
Other	878	1,067	--	862	40
Total	$ 1,771	$ 2,592	$ --	$ 2,739	$ 332
Total impaired loans:					
Real estate mortgage	$ 35	$ 35	$ --	$ 782	$ 145
Production and intermediate term	1,022	1,668	145	1,304	147
Other	878	1,067	--	862	40
Total	$ 1,935	$ 2,770	$ 145	$ 2,948	$ 332

	As of December 31, 2015			For the year ended December 31, 2015	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Production and intermediate term	236	240	201	314	--
Total	$ 236	$ 240	$ 201	$ 314	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 1,076	$ 1,066	$ --	$ 617	$ 43
Production and intermediate term	328	744	--	438	67
Agribusiness	--	7	--	2	--
Other	877	1,110	--	1,123	--
Total	$ 2,281	$ 2,927	$ --	$ 2,180	$ 110
Total impaired loans:					
Real estate mortgage	$ 1,076	$ 1,066	$ --	$ 617	$ 43
Production and intermediate term	564	984	201	752	67
Agribusiness	--	7	--	2	--
Other	877	1,110	--	1,123	--
Total	$ 2,517	$ 3,167	$ 201	$ 2,494	$ 110

The recorded investment in the loan is the unpaid principal amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.

Unpaid principal balance represents the contractual principal balance of the loan.

We did not have any material commitments to lend additional money to borrowers whose loans were classified as risk loans at December 31, 2017.

Troubled Debt Restructurings (TDRs)

Included within our loans are TDRs. These loans have been modified by granting a concession in order to maximize the collection of amounts due when a borrower is experiencing financial difficulties. All risk loans, including TDRs, are analyzed within our allowance for loan losses.

We completed TDRs of certain production and intermediate loans during the years ended December 31, 2017, 2016, and 2015. Our recorded investment in these loans just prior to and immediately following the restructuring was $90 thousand, $7 thousand, and $51 thousand during the years ended December 31, 2017, 2016, and 2015, respectively. The recorded investment of the loan is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off.

The primary types of modification included was extension of maturity.

We had TDRs in the production and intermediate loan category of $20 thousand and $4 thousand that defaulted during the years ended December 31, 2017 and 2015, respectively, and no troubled debt restructurings during the year ended December 31, 2016, in which the modifications were within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of December 31		**2017**		2016		2015
Accrual status:						
Production and intermediate term		**7**		2		2
Other		**--**		878		--
Total TDRs in accrual status	**$**	**7**	$	880	$	2
Nonaccrual status:						
Real estate mortgage	**$**	**17**	$	35	$	56
Production and intermediate term		**105**		33		70
Other		**--**		--		877
Total TDRs in nonaccrual status	**$**	**122**	$	68	$	1,003
Total TDRs:						
Real estate mortgage	**$**	**17**	$	35	$	56
Production and intermediate term		**112**		35		72
Other		**--**		878		877
Total TDRs	**$**	**129**	$	948	$	1,005

The decrease in accruing restructured loans was primarily due to certain communication category loans, which are included in the other loan category, being refinanced at market terms during 2017.

There were no material commitments to lend to borrowers whose loans have been modified in a TDR at December 31, 2017.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) For the year ended December 31		**2017**		2016		2015
Balance at beginning of year	**$**	**2,769**	$	2,057	$	1,954
Provision for loan losses		**367**		1,060		463
Loan recoveries		**131**		84		35
Loan charge-offs		**(275)**		(432)		(395)
Balance at end of year	**$**	**2,992**	$	2,769	$	2,057

The increase in the allowance for loan losses resulted from a decline in overall credit quality, loan growth, and positioning in the range of loss estimates.

Credit losses may be recorded to establish a reserve on letters of credit. The accrued credit losses are recorded in “Other liabilities” in the Consolidated Statements of Condition. No provision for credit losses was required during the year ended December 31, 2017, 2016, or 2015.

Changes in Allowance for Loan Losses and Year End Recorded Investments by Loan Type

(in thousands)		Real Estate Mortgage		Production and Intermediate Term		Agribusiness		Other		Total
Allowance for loan losses:										
Balance as of December 31, 2016	**$**	**229**	**$**	**1,331**	**$**	**603**	**$**	**606**	**$**	**2,769**
Provision for (reversal of) loan losses		**62**		**419**		**(1)**		**(113)**		**367**
Loan recoveries		**--**		**131**		**--**		**--**		**131**
Loan charge-offs		**--**		**(275)**		**--**		**--**		**(275)**
Balance as of December 31, 2017	**$**	**291**	**$**	**1,606**	**$**	**602**	**$**	**493**	**$**	**2,992**
Ending balance: individually evaluated for impairment	**$**	**--**	**$**	**249**	**$**	**--**	**$**	**--**	**$**	**249**
Ending balance: collectively evaluated for impairment	**$**	**291**	**$**	**1,357**	**$**	**602**	**$**	**493**	**$**	**2,743**
Recorded investment in loans outstanding:										
Ending balance as of December 31, 2017	**$**	**386,875**	**$**	**413,921**	**$**	**205,576**	**$**	**109,866**	**$**	**1,116,238**
Ending balance: individually evaluated for impairment	**$**	**17**	**$**	**1,722**	**$**	**--**	**$**	**--**	**$**	**1,739**
Ending balance: collectively evaluated for impairment	**$**	**386,858**	**$**	**412,199**	**$**	**205,576**	**$**	**109,866**	**$**	**1,114,499**

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2015	$ 141	$ 1,128	$ 461	$ 327	$ 2,057
Provision for loan losses	88	551	142	279	1,060
Loan recoveries	--	84	--	--	84
Loan charge-offs	--	(432)	--	--	(432)
Balance as of December 31, 2016	$ 229	$ 1,331	$ 603	$ 606	$ 2,769
Ending balance: individually evaluated for impairment	$ --	$ 145	$ --	$ --	$ 145
Ending balance: collectively evaluated for impairment	$ 229	$ 1,186	$ 603	$ 606	$ 2,624
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2016	$ 354,396	$ 435,624	$ 172,060	$ 99,558	$ 1,061,638
Ending balance: individually evaluated for impairment	$ 35	$ 1,022	$ --	$ 878	$ 1,935
Ending balance: collectively evaluated for impairment	$ 354,361	$ 434,602	$ 172,060	$ 98,680	$ 1,059,703

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Other	Total
Allowance for loan losses:					
Balance as of December 31, 2014	$ 140	$ 868	$ 384	$ 562	$ 1,954
(Reversal of) provision for loan losses	(16)	531	81	(133)	463
Loan recoveries	20	15	--	--	35
Loan charge-offs	(3)	(286)	(4)	(102)	(395)
Balance as of December 31, 2015	$ 141	$ 1,128	$ 461	$ 327	$ 2,057
Ending balance: individually evaluated for impairment	$ --	$ 201	$ --	$ --	$ 201
Ending balance: collectively evaluated for impairment	$ 141	$ 927	$ 461	$ 327	$ 1,856
Recorded investment in loans outstanding:					
Ending balance as of December 31, 2015	$ 330,725	$ 454,160	$ 143,236	$ 99,739	$ 1,027,860
Ending balance: individually evaluated for impairment	$ 1,076	$ 564	$ --	$ 877	$ 2,517
Ending balance: collectively evaluated for impairment	$ 329,649	$ 453,596	$ 143,236	$ 98,862	$ 1,025,343

The recorded investment in the loan is the unpaid principal amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.

NOTE 4: INVESTMENT IN AGRIBANK

As of December 31, 2017, we were required by AgriBank to maintain an investment equal to 2.25% of the average quarterly balance of our note payable, with an additional amount required on association growth in excess of a targeted growth rate if the District is also growing above a targeted growth rate.

As of December 31, 2017, we were also required by AgriBank to maintain an investment equal to 8.0% of the quarter end balance of the participation interests in real estate loans sold to AgriBank under the AgriBank Asset Pool program.

Investment in AgriBank

(in thousands)

As of December 31	**2017**	2016	2015
Required stock investment	**$ 20,577**	$ 20,461	$ 20,043
Purchased excess stock investment	**379**	442	--
Total investment	**$ 20,956**	$ 20,903	$ 20,043

Excess stock investment is recorded when the required investment in AgriBank and the AgriBank Asset Pool program is lower than our total investment.

NOTE 5: NOTE PAYABLE TO AGRIBANK

Our note payable to AgriBank represents borrowings, in the form of a line of credit, to fund our loan portfolio. The line of credit is governed by a GFA and our assets serve as collateral.

Note Payable Information

(dollars in thousands) As of December 31		**2017**		2016		2015
Line of credit	**$**	**1,400,000**	$	1,100,000	$	1,100,000
Outstanding principal under the line of credit		**903,472**		867,311		850,673
Interest rate		**1.9%**		1.5%		1.0%

Our note payable matures February 29, 2020, at which time the note will be renegotiated.

The GFA provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances, credit quality, and financial condition. At December 31, 2017, and throughout the year, we were not declared in default under any GFA covenants or provisions.

In addition, with approval from AgriBank, on July 24, 2006, we entered into a note agreement with CoBank to obtain funding in the amount not to exceed $20.0 million in connection with specific CoBank related transactions. The interest rate on such indebtedness will be established at the time of the related transactions. There was no outstanding principal at December 31, 2017, 2016, and 2015. The outstanding principal was paid in its entirety during 2013.

NOTE 6: MEMBERS' EQUITY

Capitalization Requirements

In accordance with the Farm Credit Act, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2.0% of the customer's total loan(s) or one thousand dollars, whichever is less. The purchase of one participation certificate is required of all customers to whom a lease is issued and of all non-stockholder customers who purchase crop insurance. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan or lease is made. The aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

Regulatory Capitalization Requirements

Regulatory Capital Requirements and Ratios

As of December 31	**2017**	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:				
Common equity tier 1 ratio	**16.1%**	4.5%	2.5%*	7.0%
Tier 1 capital ratio	**16.1%**	6.0%	2.5%*	8.5%
Total capital ratio	**16.4%**	8.0%	2.5%*	10.5%
Permanent capital ratio	**16.2%**	7.0%	N/A	7.0%
Non-risk-adjusted:				
Tier 1 leverage ratio	**18.7%**	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**19.1%**	1.5%	N/A	1.5%

*The 2.5% capital conservation buffer over risk-adjusted ratio minimums will be phased in over three years under the FCA capital requirements.

Effective January 1, 2017, the regulatory capital requirements for Farm Credit System banks and associations were modified. The new regulations replaced existing 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 a tier 1 leverage ratio and an unallocated retained earnings and equivalents (UREE) leverage ratio. The permanent capital ratio continues to remain in effect, with some modifications, to align with the new regulations.

Risk-adjusted assets have been defined by the 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 with terms at origination of 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 inclusion of the allowance for loan losses as a deduction to risk-adjusted assets for the permanent capital ratio.

These ratios are based on a three-month average daily balance in accordance with FCA Regulations and are calculated as follows (not all items below may be applicable to our Association):

- Common equity tier 1 ratio is statutory minimum purchased member stock, other required member stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to retirement, unallocated retained earnings as regulatorily prescribed, 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 member 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 for loan losses and reserve for credit losses subject to certain limitations, less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings as regulatorily prescribed, paid-in capital, subordinated debt, and preferred stock 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 as regulatorily prescribed, paid-in capital, allocated surplus not subject to retirement 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.

Effective January 1, 2017, the regulatory capital requirements allow for allotment agreements for only the permanent capital ratio and, as such, any stock in excess of our AgriBank required investment was not included in the common equity tier 1, tier 1 capital, total capital, or leverage ratios.

Refer to Note 6 in our 2016 Annual Report for a more complete description of the ratios effective as of December 31, 2016 and 2015. We were in compliance with the minimum required capital ratios as of December 31, 2016, and 2015.

Description of Equities

The following represents information regarding classes and number of shares of stock and participation certificates outstanding. All shares and participation certificates are stated at a $5.00 par value.

	Number of Shares		
As of December 31	**2017**	2016	2015
Class B common stock (at-risk)	**454,212**	474,905	486,597
Participation certificates (at-risk)	**271**	259	246

Under our bylaws, we are also authorized to issue Class C, Class D, and Class E common stock and Class F preferred stock. Each of these classes of stock is at-risk and nonvoting with a $5.00 par value per share. Currently, no stock of these classes has been issued.

Only holders of Class B stock have voting rights. Our bylaws do not prohibit us from paying dividends on any classes of stock. However, no dividends have been declared to date.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of our Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2017, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In the event of our liquidation or dissolution, according to our bylaws, any remaining assets after payment or retirement of all liabilities will be distributed in the following order of priority:

- first, pro rata to holders of Class F preferred stock,
- second, pro rata to holders of Class B, C, D, and E common stock and participation certificates,
- third, pro rata by year of issuance to holders of qualified patronage allocation certificates, in order of year of issuance,
- fourth, pro rata by year of issuance to holders of nonqualified patronage allocation certificates, in order of year of issuance, and,
- lastly, to patrons based on their patronage history.

We have not issued any patronage allocation certificates.

In the event of impairment, losses will be absorbed in the following order:

- first, pro rata by year of issuance to allocated surplus in the form of nonqualified written notices of allocation, in reverse order of year of issuance,
- second pro rata by year of issuance to allocated surplus in the form of qualified written notices of allocation, in reverse order of year of issuance,
- third, pro rata to all classes of common stock and participation certificates, and
- finally, pro rata to any preferred stock.

All classes of stock are transferable to other customers who are eligible to hold such class as long as we meet the regulatory minimum capital requirements.

Patronage Distributions

We accrued patronage distributions of $2.6 million, $2.1 million, and $2.1 million at December 31, 2017, 2016, and 2015, respectively. Generally, the patronage distributions are paid in cash during the first quarter after year end. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements.

The FCA Regulations prohibit patronage distributions to the extent they would reduce our permanent capital ratio below the minimum permanent capital adequacy standards. Additionally, effective January 1, 2017, patronage distributions may be restricted or prohibited without prior FCA approval if capital ratios fall below the total requirements, including the buffer amounts. We do not foresee any events that would result in this prohibition in 2018.

NOTE 7: INCOME TAXES

The Tax Cuts and Jobs Act (the Act) was enacted in December of 2017. This Act contained various tax law changes, including a federal statutory tax rate change to 21% from 34%, effective January 1, 2018. Because deferred tax assets and liabilities are expected to be recognized in the Association's tax return in a future year, when the new statutory tax rate would be applicable, the deferred tax assets and liabilities as of December 31, 2017, have been valued using a blended federal/state effective tax rate based on the new federal statutory tax rate. The effect of this revaluation is recognized in our provision for income taxes for the year ended December 31, 2017.

Provision for Income Taxes

Provision for Income Taxes

(dollars in thousands)

For the year ended December 31	**2017**	2016	2015
Current:			
Federal	**$ 885**	$ 1,200	$ 1,577
State	**127**	157	209
Total current	**$ 1,012**	$ 1,357	$ 1,786
Deferred:			
Federal	**$ (87)**	$ (101)	$ (176)
State	**6**	(13)	(28)
Total deferred	**(81)**	(114)	(204)
Provision for income taxes	**$ 931**	$ 1,243	$ 1,582
Effective tax rate	**3.9%**	6.2%	8.1%

Reconciliation of Taxes at Federal Statutory Rate to Provision for Income Taxes

(in thousands)

For the year ended December 31	**2017**	2016	2015
Federal tax at statutory rates	**$ 8,080**	$ 6,809	$ 6,619
State tax, net	**81**	95	122
Patronage distributions	**(884)**	(724)	(706)
Effect of non-taxable entity	**(6,222)**	(4,948)	(4,458)
Change in statutory tax rates due to the Tax Cuts and Jobs Act	**(137)**	--	--
Other	**13**	11	5
Provision for income taxes	**$ 931**	$ 1,243	$ 1,582

Deferred Income Taxes

Tax laws require certain items to be included in our tax returns at different times than the items are reflected on our Consolidated Statements of Income. Some of these items are temporary differences that will reverse over time. We record the tax effect of temporary differences as deferred tax assets and liabilities netted on our Consolidated Statements of Condition.

Deferred Tax Assets and Liabilities

(in thousands) As of December 31		2017	2016	2015
Allowance for loan losses	$	**281**	$ 333	$ 248
Postretirement benefit accrual		**166**	257	260
Accrued incentive		**221**	345	307
Leasing related, net		**(6)**	(21)	(199)
Accrued patronage income not received		**(151)**	(173)	(83)
AgriBank 2002 allocated stock		**(215)**	(325)	(325)
Accrued pension asset		**(478)**	(609)	(504)
Depreciation		**(96)**	(170)	(187)
Other assets		**10**	14	20
Other liabilities		**(250)**	(251)	(250)
Deferred tax liabilities, net	**$**	**(518)**	$ (600)	$ (713)
Gross deferred tax assets	**$**	**678**	$ 949	$ 835
Gross deferred tax liabilities	**$**	**(1,196)**	$ (1,549)	$ (1,548)

A valuation allowance for the deferred tax assets was not necessary at December 31, 2017, 2016, or 2015.

We have not provided for deferred income taxes on patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. Our total permanent investment in AgriBank is $9 million. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $163.7 million as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

Our income tax returns are subject to review by various United States taxing authorities. We record accruals for items that we believe may be challenged by these taxing authorities. However, we had no uncertain income tax positions at December 31, 2017. In addition, we believe we are no longer subject to income tax examinations for years prior to 2014.

NOTE 8: EMPLOYEE BENEFIT PLANS

Pension and Post-Employment Benefit Plans

Complete financial information for the pension and post-employment benefit plans may be found in the Combined AgriBank and District Associations 2017 Annual Report (District financial statements).

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans. These governance committees are comprised of elected or appointed representatives (senior leadership and/or Board of Director members) from the participating organizations. The Plan Sponsor Committee is responsible for employer decisions regarding all benefit plans including retirement benefits. These decisions could include plan design changes, vendor changes, determination of employer subsidies (if any), and termination of specific benefit plans. Any action to change or terminate the retirement plan can only occur at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

Pension Plan: Certain employees participate in the AgriBank District Retirement Plan, a District-wide multi-employer defined benefit retirement plan. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan's benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan's termination is contingent on the sufficiency of the plan's net assets to provide benefits at that time. This plan is noncontributory and covers certain eligible District employees. The assets, liabilities, and costs of the plan are not segregated by participating entities. As such, plan assets are available for any of the participating employers' retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if we choose to stop participating in the plan, we may be required to pay an amount based on the underfunded status of the plan. Because of the nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee transfers to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of this plan.

AgriBank District Retirement Plan Information

(in thousands) As of December 31		**2017**		2016		2015
Unfunded liability	**$**	**352,516**	$	374,305	$	453,825
Projected benefit obligation		**1,371,013**		1,269,625		1,255,259
Fair value of plan assets		**1,018,497**		895,320		801,434
Accumulated benefit obligation		**1,184,550**		1,096,913		1,064,133

For the year ended December 31		**2017**		2016		2015
Total plan expense	**$**	**44,730**	$	53,139	$	63,800
Our allocated share of plan expenses		**814**		1,042		1,219
Contributions by participating employers		**90,000**		90,000		62,722
Our allocated share of contributions		**1,680**		1,788		1,198

The unfunded liability reflects the net of the fair value of the plan assets and the projected benefit obligation at the date of these Consolidated Financial Statements. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The accumulated benefit obligation is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and based on current employee service and compensation. The funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding. Our allocated share of plan expenses is included in “Salaries and employee benefits” in the Consolidated Statements of Income.

Benefits paid to participants in the District were $103.7 million in 2017. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plan during 2018 is $90.0 million. Our allocated share of these pension contributions is expected to be $1.7 million. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.

Nonqualified Retirement Plan: We also participate in the District-wide nonqualified defined benefit Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits.

Pension Restoration Plan Information

(in thousands) As of December 31		**2017**		2016		2015
Our unfunded liability	**$**	**2,134**	$	774	$	548
Projected benefit obligation for the Combined District		**37,190**		28,514		31,650
Accumulated benefit obligation for the Combined District		**29,844**		22,778		26,323

For the year ended December 31		**2017**		2016		2015
Total plan expense	**$**	**8,336**	$	5,767	$	3,776
Our allocated share of plan expenses		**224**		226		170

The nonqualified plan is funded as the benefits are paid; therefore, there are no assets in the plan and the unfunded liability is equal to the projected benefit obligation. Beginning in 2017, the recognition of the unfunded liability includes the impact of prior service cost and unamortized gain/loss. The increase in the liability was offset against accumulated other comprehensive loss and had no impact to net income. The amount of the pension benefits funding status is subject to many variables including interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their participants in the plan. Our allocated share of plan expenses is included in “Salaries and employee benefits” in the Consolidated Statements of Income. The Pension Restoration Plan is unfunded and we make annual contributions to fund benefits paid to our retirees covered by the plan. Our cash contributions are equal to the benefits paid. We had no cash contributions and paid no benefits during 2017, 2016, and 2015.

Retiree Medical Plans: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plans. The anticipated costs of these benefits are accrued during the period of the employee’s active status.

Retiree Medical Plan Information

(in thousands) For the year ended December 31		2017		2016		2015
Postretirement benefit expense	**$**	**18**	$	34	$	60
Our cash contributions		**39**		40		39

Postretirement benefit costs are included in "Salaries and employee benefits" in the Consolidated Statements of Income. Our cash contributions are equal to the benefits paid.

Defined Contribution Plans

We participate in a District-wide defined contribution plan. For employees hired before January 1, 2007, employee contributions are matched dollar for dollar up to 2.0% and 50 cents on the dollar on the next 4.0% on both pre-tax and post-tax contributions. The maximum employer match is 4.0%. For employees hired after December 31, 2006, we contribute 3.0% of the employee's compensation and will match employee contributions dollar for dollar up to a maximum of 6.0% on both pre-tax and post-tax contributions. The maximum employer contribution is 9.0%.

We also participate in a District-wide Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the defined contribution plan if it were not for certain IRS limitations.

Employer contribution expenses for the defined contribution plan, included in "Salaries and employee benefits" in the Consolidated Statements of Income, were $506 thousand, $439 thousand, and $402 thousand in 2017, 2016, and 2015, respectively. These expenses were equal to our cash contributions for each year.

NOTE 9: RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions may be subject to special approval requirements contained in the FCA Regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with other persons. In our opinion, none of these loans outstanding at December 31, 2017, involved more than a normal risk of collectability.

Related Party Loans Information

(in thousands) As of December 31		2017		2016		2015
Total related party loans	**$**	**9,178**	$	6,173	$	7,186
For the year ended December 31		**2017**		2016		2015
Advances to related parties	**$**	**9,364**	$	5,499	$	9,469
Repayments by related parties		**11,225**		10,031		10,202

The related parties can be different each year end primarily due to changes in the composition of the Board of Directors and the mix of organizations with which such persons may be associated. Advances and repayments on loans in the preceding chart are related to those considered related parties at year end.

As discussed in Note 5**,** we borrow from AgriBank, in the form of a line of credit, to fund our loan portfolio.

We purchase various services from AgriBank including certain financial and retail systems, financial reporting services, tax reporting services, technology services, insurance services, and internal audit services. The total cost of services we purchased from AgriBank was $536 thousand, $465 thousand, and $435 thousand in 2017, 2016, and 2015, respectively.

We also purchase human resource information systems, benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations). As of December 31, 2017, 2016, and 2015, our investment in Foundations was $17 thousand. The total cost of services purchased from Foundations was $112 thousand, $102 thousand, and $89 thousand in 2017, 2016, and 2015, respectively.

NOTE 10: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

We have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk that may be 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 loan contract. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. At December 31, 2017, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $438.5 million. Additionally, we had $5.2 million of issued standby letters of credit as of December 31, 2017.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments to extend credit and letters of credit remain unfulfilled or have not expired, they may have credit risk not recognized in the financial statements. Many of the commitments to extend credit and letters of credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable us to recover from third parties amounts paid under guarantees, thereby limiting our maximum potential exposure. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers and we apply the same credit policies. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management's credit evaluation of the borrower.

NOTE 11: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at December 31, 2017, 2016, or 2015.

Non-Recurring

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-recurring Basis

(in thousands)

As of December 31, 2017	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	**$ --**	**$ --**	**$ 1,239**	**$ 1,239**

As of December 31, 2016	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$ 20	$ 20

As of December 31, 2015	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$ 36	$ 36

Valuation Techniques

Impaired loans: Represents the carrying amount and related write-downs of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses independent appraisals and other market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they are classified as Level 3.

NOTE 12: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 6, 2018, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our 2017 Consolidated Financial Statements or disclosures in the Notes to Consolidated Financial Statements.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

Farm Credit Services of Mandan, ACA

(Unaudited)

Description of Business

General information regarding the business is incorporated herein by reference from Note 1 to the Consolidated Financial Statements in this Annual Report.

The description of significant business developments, if any, is incorporated herein by reference from the “Management's Discussion and Analysis" section of this Annual Report.

Description of Property

Property Information

Location	Description	Usage
Beach	Jointly Leased	Satellite Office
Beulah	Owned by PCA	Branch
Bowman	Owned by PCA	Branch
Carson	Owned by PCA	Branch
Dickinson	Owned by FLCA	Branch
Mandan	Owned by PCA	Headquarters/Branch
Mott	Owned by PCA	Branch
Napoleon	Jointly Leased	Satellite Office
Washburn	Owned by FLCA	Branch
Wishek	Owned by PCA	Branch

Legal Proceedings

Information regarding legal proceedings is discussed in Note 10 to the Consolidated Financial Statements in this Annual Report. We were not subject to any enforcement actions as of December 31, 2017.

Additional Regulatory Capital Disclosure

Pursuant to FCA Regulation 620.5, the permanent capital ratio, total surplus ratio, and core surplus ratios were 14.9%, 14.6%, and 14.6% as of December 31, 2012, respectively. Refer to the Consolidated Five Year Summary of Selected Financial Data for capital ratio calculations for the past five years.

Description of Capital Structure

Information regarding our capital structure is discussed in Note 6 to the Consolidated Financial Statements in this Annual Report.

Description of Liabilities

Information regarding liabilities is discussed in Notes 5, 6, 7, 8, and 10 to the Consolidated Financial Statements in this Annual Report. All debt and other liabilities in the financial statements are uninsured.

Selected Financial Data

The Consolidated Five-Year Summary of Selected Financial Data is presented at the beginning of the Consolidated Financial Statements in this Annual Report.

Management’s Discussion and Analysis

Information regarding any material aspects of our financial condition, changes in financial condition, and results of operations are discussed in the Management's Discussion and Analysis section of this Annual Report.

Board of Directors

Board of Directors as of December 31, 2017, including business experience during the last five years

Name	Term	Principal Occupation and Other Affiliations
James Vander Vorst Chairperson of the Board Service Began: June 2004	June 2014-2018	**Principal Occupation:** Self-employed grain and livestock farmer **Other Affiliations:** Director: Emmons County Soil Conservation Board Director: State Line Water Cooperative, a rural water service provider
Michael Schaaf Vice Chairperson of the Board Service Began: June 2011	June 2016-2020	**Principal Occupation:** Self-employed grain farmer and livestock rancher
Carson Kouba Director Service Began: June 2017	June 2017-2021	**Principal Occupation:** Self-employed grain farmer and equipment repair **Other Affiliations:** Director: North Dakota Crop Improvement & Seed Association
Dawn Martin Director Service Began: June 2017	June 2017-2021	**Principal Occupation:** Self-employed livestock farmer **Other Affiliations:** Secretary: Mercer County Farmers Union Board
Becky Hansen Director Service Began: June 2009	June 2016-2020	**Principal Occupation:** Healthcare Finance Consultant at McKenzie County Healthcare Systems, Inc. Former CEO at Southwest Healthcare Services, a healthcare services company Self-employed small grain and livestock farmer **Other Affiliations:** Treasurer: Bowman SDA Church, a religious organization
Clair Hauge Director Service Began: June 2015	June 2015-2019	**Principal Occupation:** President: Blue Hill Ranch Feedlot Inc, a cattle feeding operation Director: Blue Hill Ranch GP, a farming and ranching operation Self-employed grain and livestock farming operation **Other Affiliations:** Director: North Dakota Farm Credit Council Director: Jacobson Memorial Hospital and Care Center
Michael Schneider Appointed Director Service Began: June 2017	June 2017-2021	**Principal Occupation:** Retired Human Resources Lead with engineering firm **Other Affiliations:** Campaign Cabinet Member: MSA United Way
Cary Moch Director Service Began: June 2008	June 2015-2019	**Principal Occupation:** Self-employed crop and livestock farmer **Other Affiliations:** Treasurer: Campbell Township, a local government agency
Allen Roshau Director Service Began: June 2003	June 2014-2018	**Principal Occupation:** Self-employed farmer/rancher Brand Inspector: North Dakota Stockmen's Association **Other Affiliations:** Director: AgriBank District Farm Credit Council Director: North Dakota Farm Credit Council
Fred Stern Appointed Director Service Began: June 2011	June 2015-2019	**Principal Occupation:** Retired Executive Business/Technology Advisor and Plant Manager for Dakota Gasification Company Self-employed engineering consultant as Stern Enterprises, LLC **Other Affiliations:** Vice Chairperson of the Board: Sakakawea Medical Center, a critical access hospital Director: Mercer County Economic Development Director: Coal Country Clinic, a health care clinic facility

Pursuant to our bylaws, directors are paid a reasonable amount for attendance at board meetings, committee meetings, or other special assignments. Directors are also reimbursed for reasonable expenses incurred in connection with such meetings or assignments. The Board of Directors adopted a rate of $600 per day, with half day increments used for conference calls or half day meetings. Also, a stipend of $600 is paid to directors for the purchase of a replacement computer every five years, for usage at board meetings. The Board Chairperson and Vice Chairperson also receive an annual retainer fee in the amounts of $2,000 and $500, respectively, which is paid out quarterly. All directors serve on both the Audit Committee and Compensation Committee and do not receive compensation for serving on these committees.

Information regarding compensation paid to each director who served during 2017 follows:

	Number of Days Served		
Name	Board Meetings	Other Official Activities	Total Compensation Paid in 2017
Kent Albers*	6.0	11.5	$ 11,333
Douglas Dukart*	6.0	12.0	10,800
Becky Hansen	13.0	15.0	17,400
Clair Hauge	13.0	9.5	13,500
Carson Kouba**	8.0	7.0	9,000
Robert Maeyaert*	6.0	11.0	10,200
Dawn Martin**	8.0	7.0	9,000
Cary Moch	13.0	13.0	16,058
Allen Roshau	13.0	17.5	18,300
Michael Schaaf	13.0	12.5	16,150
Michael Schneider***	8.0	7.5	9,300
Fred Stern	13.0	18.0	18,600
James Vander Vorst	13.0	13.5	17,275
Total			$ 176,916

*Term ended during 2017

**Newly elected

***Newly appointed

Senior Officers

Senior Officers as of December 31, 2017, including business experience during the last five years

Name and Position	Business experience and other business affiliations
Aaron Vetter Chief Executive Officer	**Business experience:** President/Chief Executive Officer from April 2015 to present Executive Vice President from July 2014 to March 2015 Regional Manager, Agribusiness from January, 2008 to June 2014 **Other business interests:** Board member of FCS Commercial Finance Group Board member of Menoken Public School Board member of The New Longford Center, a non-profit retreat center
Stuart Ternes Vice President - Customer Operations/ Chief Credit Officer	**Business experience:** Vice President - Customer Operations/Chief Credit Officer from July 2016 to present Assistant Vice President - Credit from September 1996 to June 2016
Sandy Nagel Vice President - Corporate Finance	**Business experience:** Vice President - Corporate Finance from January 2013 to present
Kathleen Wiese Vice President - Human Resources	**Business experience:** Vice President - Human Resources from October 2013 to present Director of Human Resources from January 2011 to September 2013

Senior Officer Compensation

Compensation Risk Management: We believe the design and governance of our compensation program, which covers senior officers (including the CEO) and other highly compensated individuals, is consistent with the highest standards of risk management and provides total compensation that promotes our mission to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America. Our compensation philosophy aims to provide a competitive total rewards package that will enable us to attract and retain highly qualified officers with the requisite expertise and skills while achieving desired business results aligned with the best interests of our shareholders. The design of our compensation program supports our risk management goals through a set of checks and balances, including (1) a balanced mix of base and variable pay, (2) a balanced use of performance measures that are risk-adjusted where appropriate, and (3) a pay-for-performance process that allocates individual awards based on both results and how those results were achieved.

Elements of Compensation: Senior officers, including the CEO, and highly compensated individuals are compensated with a mix of direct cash and incentives as well as retirement plans generally available to all employees. They are compensated according to our Association compensation plan which covers all employees and is reviewed and approved annually by our Board of Directors. Base salary and short-term incentives are intended to be competitive with annual compensation for comparable positions at peer organizations.

Base Salary: The CEO, senior officer, and highly compensated individual's base salaries reflect the individual's experience and level of responsibility. The CEO base salary is subject to review and approval by the Compensation Committee of our Board of Directors and is subject to adjustment based on changes in responsibilities or competitive market conditions. Other senior officers' and highly compensated individual's compensation is determined by our Human Resources Committee, which is made up of selected members of senior management, and is subject to adjustment based on changes in responsibilities or competitive market conditions.

Short-term Incentives: The CEO, senior officer, and highly compensated individual's incentives are paid annually based on performance criteria established by our Board of Directors. The criteria related to the overall association performance include return on assets, loan volume, unallocated surplus, net operating rate, credit quality, and credit administration scores. Additionally, performance criteria related to personal performance include attainment of personal objectives and performance ratings. Individual incentives for our CEO, senior officers, and highly compensated employees are weighted towards overall association performance differently depending on position held by the individual. Generally, the higher level of responsibilities results in a higher level of compensation based on association performance rather than individual performance. We calculate the incentives after the end of the plan year (the plan year is October 1 – September 30). We pay out the incentives within 90 days of calendar year end.

Retirement Plans: We have various post-employment benefit plans which are generally available to all association employees, including the CEO and senior officers, based on dates of service to the association and are not otherwise differentiated by position, unless specifically stated. Information regarding the post-employment benefit plans is included in Notes 2 and 8 to the Consolidated Financial Statements in this Annual Report.

Other Components of Compensation: Additionally, compensation associated with group term life insurance premiums, disability insurance premiums, or other taxable reimbursements may be made available to all employees including the CEO, senior officers, and highly compensated individuals based on our current benefit plan.

Compensation to the CEO, Senior Officers, and Highly Compensated Individuals

(in thousands) Name	Year	Salary	Bonus	Deferred/ Perquisites	Other	Total
Aaron Vetter, CEO	**2017**	**$ 254**	**$ 136**	**$ 1**	**$ 74**	**$ 465**
Aaron Vetter, CEO	2016	241	134	1	54	430
Aaron Vetter, CEO	2015	219	127	1	27	374
Michael O'Keeffe, CEO	2015	79	101	2	1,540	1,722
Aggregate Number of Senior Officers and Highly Compensated Individuals, excluding CEO						
Four	**2017**	**$ 526**	**$ 198**	**$ 5**	**$ 886**	**$ 1,615**
Four	2016	529	210	4	643	1,386
Seven	2015	727	288	8	828	1,851

The composition of senior officers may change during the year based on business needs of the association. A senior officer left the association in July 2015. The composition of highly compensated employees can change due to incentives available to employees as described above. Highly compensated individuals were included in 2017 and 2015. No highly compensated individuals were included in 2016.

The amount in the "Other" category in the preceding table primarily includes:

- Employer match on defined contribution plans available to all employees.
- Changes in the value of pension benefits. The change in value of the pension benefits is defined as the change in the vested portion of the present value of the accumulated benefit obligation from December 31 of the prior year to December 31 of the most recent year for the District-wide Pension Plan and the Pension Restoration Plan, as applicable, as disclosed in Note 8 to the Consolidated Financial Statements in this Annual Report. This change in value does not represent cash payments made by the Association during the year, but rather is an estimate of the change in the Association's future obligations under the pension plans. The change in the value of the pension benefits is highly sensitive to discount rates used to value the plan liabilities to participants.
- Amounts paid related to the retirement of an officer in 2015

Any dollar value of tax reimbursement provided to the CEO, senior officer, and highly compensated individuals is included in the column for which the reimbursement was provided.

The value of the pension benefits from December 31, 2016 to December 31, 2017 changed primarily due to interest cost, accumulation of an additional year of credited service by plan participants, and changes in actuarial assumptions.

Members may request information on the compensation to the individuals included in the preceding table during 2017.

Pension Benefits Attributable to the CEO, Senior Officers, and Highly Compensated Individuals

(dollars in thousands) **2017** Name	Plan	Years of Credited Service	Present Value of Accumulated Benefits
Aaron Vetter, CEO	AgriBank District Retirement Plan	**18.6**	**$ 166**
	AgriBank District Pension Restoration Plan	**18.6**	**28**
Aggregate Number of Senior Officers/Highly Compensated Individuals, excluding CEO			
Four	AgriBank District Retirement Plan	**31.2**	**$ 4,136**

The change in composition of the aggregate senior officer and highly compensated individuals can have a significant impact on the calculation of the accumulated pension benefits.

Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. Therefore, any employee starting employment with the AgriBank District after that date is not eligible to be in the plan.

The AgriBank District Pension Restoration Plan restores retirement benefits to certain highly compensated employees that would have been provided under the qualified plan if such benefits were not above certain Internal Revenue Code limits. Not all senior officers or highly compensated employees are eligible to participate in this plan.

Transactions with Senior Officers and Directors

Information regarding related party transactions is discussed in Note 9 to the Consolidated Financial Statements in this Annual Report.

Travel, Subsistence, and Other Related Expenses

Directors and senior officers are reimbursed for reasonable travel, subsistence, and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting us at:

Post Office Box 5001
Mandan, ND 58554-5501
(701) 663-6487
www.farmcreditmandan.com

The total directors' travel, subsistence, and other related expenses were $104 thousand, $80 thousand, and $89 thousand in 2017, 2016, and 2015, respectively.

Involvement in Certain Legal Proceedings

No events occurred during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2018, or at any time during 2017.

Member Privacy

The FCA Regulations protect members' nonpublic personal financial information. Our directors and employees are restricted from disclosing information about our Association or our members not normally contained in published reports or press releases.

Relationship with Qualified Public Accountant

There were no changes in independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total fees paid during 2017 were $51 thousand. The fees paid were for audit services.

Financial Statements

The Report of Management, Report on Internal Control Over Financial Reporting, Report of Audit Committee, "Report of Independent Auditors, "Consolidated Financial Statements, and Notes to Consolidated Financial Statements are presented prior to this portion of the Consolidated Financial Statements in this Annual Report.

Young, Beginning, and Small Farmers and Ranchers

Information regarding credit and services to young, beginning, and small farmers and ranchers, and producers or harvesters of aquatic products is discussed in an addendum to this Annual Report.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

Farm Credit Services of Mandan, ACA
(Unaudited)

We have specific programs in place to serve the credit and related services needs of young, beginning, and small (YBS) farmers and ranchers in our territory. The definitions of YBS as developed by the Farm Credit Administration (FCA) follow:

- Young: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.
- Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan transaction date.
- Small: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $250 thousand in annual gross sales of agricultural or aquatic products.

Mission Statement:

We will aggressively promote and market products and services to creditworthy young, beginning, and small farmers and ranchers to assist them in establishing and maintaining a farming or ranching operation.

Policy to Complete Mission Statement:

We will actively develop and execute an annual business plan to qualified YBS farmers. This plan will target and market to YBS farmers through a variety of credit and outreach programs in an effort to help the next generation of farmers succeed. We are further committed to supporting educational and developmental opportunities to this segment of farmers.

2017 Business Environment:

The 2012 USDA census data identified 10.0% of the farm population in our territory as young farmers. On December 31, 2017, 24.0% of our loans were to young farmers. Beginning farmers fell from 19.0% in 2007 to 14% in 2012 based on the 2012 USDA census data. Beginning farmers make up 25.0% of our loan customers. Small farmers make up 52.0% of the association's total loan customers; compared to the 2012 census showing 77% of the farmers surveyed were small farmers. Demographic data to measure the number of young and beginning farmers is not available.

New loan volume of $32.0 million to YBS farmers was targeted for plan year October 1, 2016 to September 30, 2017. Actual new loan volume to YBS farmers at the end of the plan year was $38.9 million, exceeding the 2017 goal. Results for new farmers served (number of customers) in the young category did not meet expectations. The goal for 2017 was 100 young farmers compared to actual results of 62. Results for new farmers served (number of customers) in the beginning category did not meet expectations. The 2017 goal was 100 beginning farmers compared to actual results of 62. Results for new farmers served (number of customers) in the small category fell short of the goal of 150 compared to actual results of 77. We continue to utilize USDA Farm Service Agency (FSA) guarantees, subordinations, and personal guarantees to help YBS farmers get established. New loan and lease target volumes were met or exceeded in all three measured areas during the 2017 plan year. Volumes were targeted at $10.0 million for young, $10.0 million for beginning, and $12.0 million for small, with actual results of $12.4 million for young, $13.4 million for beginning, and $13.1 million for small.

Goals were also established for agriculture accounting and tax services, hail insurance, multi-peril crop insurance (MPCI), and credit life insurance. Between 15.0% and 23.0% of these services are utilized by young farmers. The targets set for 2017 young farmers were not met in these areas: Tax was 1.0% below target, MPCI was 2.0% below target, Ag Accounting was 2.0% below target, Credit Life was 3.0% below target and Hail was 9.0% below target. Between 17.0% and 22.0% of these services are utilized by beginning farmers. The 2017 targets for beginning farmers were not met in these areas: MPCI was 3.0% below target, Ag Accounting was 1.0% below target, Credit Life was 2.0% below target, and Hail was 3.0% below target. Utilization of these products by small farmers is higher than young and beginning. Some of the 2017 targets for small farmers were not met; however, between 32.0% and 54.0% of small customers already utilize these products. It is the goal of the association to continue to increase usage of each of these products in 2018.

We actively promote, sponsor and/or participate in events and activities to continue to educate young and beginning farmers in the industry of agriculture. The purpose of participating in these events and programs is to attract additional young and beginning farmers and ranchers and to introduce them to the products and services that are available.

We have offered farm business management programs, and tax and record seminars to help young and beginning farmers in the areas of risk management. In addition, we sponsor four high school scholarships to area students interested in pursuing a career in agriculture. We also sponsor various youth activities and commodity organizations.

The objective of offering special loans and related service programs to young and beginning farmers is to make a concerted and cooperative effort to finance young and beginning farmers and ranchers to the fullest extent of their creditworthiness. The programs are not intended to substitute credit for income of young and beginning farmers and ranchers who do not have the ability to generate adequate profits for repayment. Additionally, tax and agriculture accounting services will be promoted at a reduced cost to encourage young farmers and ranchers to purchase the services to better manage and monitor their operation. Special programs offered to young and beginning farmers include young and beginning farmer real estate financing program, young and beginning farmer operating loan program, and young and beginning farmer term loan program, along with encouraging the use of FSA guarantees and subordinations. To minimize credit and profit risk exposure, portfolio limits have been established for some of these programs.

FUNDS HELD PROGRAM

Farm Credit Services of Mandan, ACA
(Unaudited)

Note: The following information is provided to assure that all FCS of Mandan, ACA customers are familiar with the terms and conditions of our Funds Held Program. This program enables customers to earn interest on funds paid in advance of loan payment due dates or for later payment of other legitimate obligations.

The Association offers a Funds Held Program ("Funds Held") that provides for customers to make advance payments on designated loans and other obligations. The following terms and conditions apply to all Funds Held unless the loan agreement, or related documents, between the Association and the customer provide for other limitations.

Payment Application

Loan payments received by the Association before the loan has been billed will normally be placed into Funds Held and applied against the next installment due. Loan payments received after the loan has been billed will be directly applied to the installment due on the loan and related charges, if any. Funds received in excess of the billed amount will be placed into Funds Held unless the customer has specified the funds to be applied as a special prepayment of principal.

When a loan installment becomes due, monies in Funds Held for the loan will be automatically applied toward the installment on the due date. Any accrued interest on Funds Held will be applied first. If the balance in Funds Held does not fully satisfy the entire installment, the customer must pay the difference by the installment due date.

Account Maximum

The total of Funds Held balance may not exceed the unpaid balance of the related loan(s) for long-term mortgage loan(s). For short- and intermediate-term loans, the Association may accept Funds Held up to the amount of the borrower's outstanding line of credit or loan commitment.

Interest Rate

Interest will accrue on Funds Held at a simple interest rate that may be changed by the Association from time to time. The interest rate may never exceed the interest rate charged on the related loan. Interest rates, subject to the above limitations, are established by the Association's Asset Liability Management Committee and may change from month to month. Customers that are subject to IRS backup withholding under section 3406(a)(1)(c) of the Internal Revenue Code do not receive interest on Funds Held.

Current interest rates are reported on each of the loan statements mailed to customers.

Withdrawals

Funds in a Funds Held account may be available to be returned to borrowers, upon request, for an eligible loan purpose in lieu of increasing the borrower's loan. No more than 12 withdrawals may be made from a Funds Held account in any calendar year. The minimum amount that may be withdrawn at any one time is normally limited to the lesser of $500 or the balance remaining in the Funds Held account.

Association Options

In the event of default on any loans, or if Funds Held exceeds the maximum limit as established above, or if the Association discontinues their Funds Held program, the Association may apply funds in the account to the unpaid loan balance and other amounts due, and shall return any excess funds to the customer.

Uninsured Account

Funds Held is not a depository account and is not insured. In the event of Association liquidation, customers having balances in Funds Held shall be notified according to Regulations.

Questions: Please direct any questions regarding Funds Held to your local FCS representative.

FCS OF MANDAN BRANCH AND EMPLOYEE DIRECTORY

Corporate Office
1600 Old Red Trail, P.O. Box 5001
Mandan, ND 58554 (701) 663-6487

Aaron Vetter, Chief Executive Officer
Brent Berreth, Network Administrator
Deitra Bina, Senior Accountant-Loan Operations
Destri Bueligen, Loan Accountant
Carl Duchscher, Director, Association Reviews
Myron Fetch, Property Manager
Jamey Grossman, Director, Integrated Technology Services
Bernadette Leingang, Accounting Assistant
Therese Miller, Executive Assistant
Brittani Moser, Human Resources Generalist
Sandy Nagel, VP-Corporate Finance
Jennifer Schiermeister, Senior Accountant-Corporate
Kathleen Wiese, VP- Human Resources

Operations Department
Sam Arndorfer, AVP-Customer Operations
Rod Bachmeier, VP-Customer Operations
Pat Carlson, Loan Documentation Assistant
Eric Ehlis, AVP-Customer Operations
Jill Gunderson, Administrative Assistant
Lee Hutchinson AVP –Customer Operations
Nathan Kuntz, Chattel Appraiser
Marlys Landeis, Administrative Secretary
Ryan Norrell, Corporate Counsel
Becky Peterson, Director of Marketing & Services
Sheila Ressler, Director of Appraisal
Aimee Scheck, Credit Services Coordinator
Carla Tausend, Director of Insurance Services
Stuart Ternes, VP-Customer Operations/Chief Credit Officer
Donald Weidner, Qualified Evaluator
Thomas Williams, III, AVP -Customer Operations
Rob Zander, Loan Documentation Associate

Agribusiness Department
Patty Berger, Trade Credit/Leasing Representative
David Buck, Credit Analyst-Agribusiness
Donovan Stober, Regional Manager-Agribusiness

Financial Services Department
(701) 663-8685 or (800) 660-1765
Becky Bargmann, Senior Ag Accounting Specialist
Kristi Fettig, Ag Accounting Specialist
Pam Geiger, Lead Tax Specialist
Lauren McMillan, Ag Accounting Associate
Janet Moch, Tax Specialist
Casey Norton, Tax Specialist
Kendra Privratsky, Tax Specialist
Carol Retterath, Tax Specialist
Joanie Schable, Financial Services Assistant

(Seasonal Employees)
Lois Guthmiller, Tax Assistant
Diane Mittelstedt, Tax Assistant
Barbara Reister, Associate Tax Specialist
Sandra Larson, Receptionist
Rochel Wagner, Tax Assistant

Beulah Branch
213 Highway 49 North, P.O. Box 507
Beulah, ND 58523 (701) 873-5395 or (800) 510-5395
Kayleen Beauchamp, Customer Service Assistant
Alison DuBois, Insurance Representative
Steven Finsaas, Loan Officer/Office Manager
Mary Ochsner, Customer Service Assistant
Briana Scheid, Loan Officer

Bowman Branch
107 Highway 12 West, P.O. Box 859
Bowman, ND 58623 (701) 523-5275 or (800) 581-5275
Rita Goodfellow, Customer Service Assistant
Jolene Groll, Customer Service Assistant
Mandy Kvale, Loan Officer

(Bowman, cont.)
Scott Lardy, Loan Officer/Office Manager
Bailee Murnion, Loan Officer
Sheridan Visser, Insurance Representative

Carson Branch
108 First Avenue East, P.O. Box 199
Carson, ND 58529 (701) 622-3297 or (800) 370-3297
Darlene Erickson, Customer Service Assistant
Lucas Redmann, Loan Officer/Office Manager
Yvonne Seidler, Account Representative
Leigh Tibke, Customer Service Assistant

Dickinson Branch
1324 W. Villard Street
Dickinson, ND 58601 (701) 227-1207 or (800) 291-1207
Tyson Bren, Loan Officer
Elliott Ehlis, Senior Loan Officer
Julie Heidt, Customer Service Assistant
Kwirt Johnson, Loan Officer
Deloris Koppinger, Customer Service Assistant
Jay Krank, Senior Loan Officer/Office Manager
Carrie Scheeler, Insurance Representative
Stacy Steffan, Loan Officer
Karlie Wanner, Customer Service Assistant
Mary Zastoupil, Customer Service Assistant `

Mandan Branch
1600 Old Red Trail, P.O. Box 5001
Mandan, ND 58554 (701) 663-6487 or (800) 660-6487
Kenny Bahm, Loan Officer
Sara Clement, Insurance Representative
Matt Dahlke, Loan Officer
Jodie Doll, Customer Service Assistant
Pearl Ereth, Account Representative
Jan Green, Customer Service Assistant/Insurance
LaRae Helbling, Customer Service Assistant
Penny Hoesel, Insurance Representative
Jessica Long, Loan Officer
Jaime Lundquist, Insurance Representative
Craig Malm, Loan Officer
Michelle Marohl, Corporate Customer Assistant
Shelly Nehl, Loan Officer
Carla Nelson, Insurance Representative
Amanda Thomsen, Loan Officer
Charles Tomac, Loan Officer-Agribusiness
Martin Well, Senior Loan Officer
Kendal Winkler, Customer Service Assistant

Mott Branch
320 Pacific Avenue, P.O. Box 249
Mott, ND 58646 (701) 824-3203 or (800) 520-3203
Holly Ebner, Customer Service Assistant/Insurance
Miranda Green, Customer Service Assistant
Jacalyn Schaible, Insurance Representative
Adam Wishek, Loan Officer

Washburn Branch
1157 Border Lane, P.O. Box 158
Washburn, ND 58577 (701) 462-3514 or (866) 470-3514
Wanda Giedd, Customer Service Assistant
Kristi Laframboise, Insurance Representative
Donna Sommer, Loan Officer/Office Manager

Wishek Branch
1207 Beaver Avenue, P.O. Box 616
Wishek, ND 58495 (701) 452-4252 or (800) 327-2474
Darrell Bitz, Senior Loan Officer
Danielle Goebel, Customer Service Assistant
Phyllis Meidinger, Insurance Representative
Jill Scherbenske, Customer Service Assistant
John Wishek, Loan Officer/Office Manager
Nathan Wolf, Loan Officer
Debbie Zillmer, Insurance Representative

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