



Farm Credit Illinois, ACA

Quarterly Report
March 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Illinois, ACA and its subsidiaries Farm Credit Illinois, FLCA and Farm Credit Illinois, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2017, (2017 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (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 or additional copies of our report, contact us at:

Farm Credit Illinois, ACA
1100 Farm Credit Drive
Mahomet, IL 61853
(217) 590-2200
www.farmcreditil.com

AgriBank, FCB
30 East 7th Street, Suite 1600
St. Paul, MN 55101
(651) 282-8800
www.agribank.com
financialreporting@agribank.com

FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2017 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

The United States Department of Agriculture's (USDA) World Agricultural Supply and Demand Estimates released March 8, 2018, projected mid-point season-average farm prices for corn at \$3.35 per bushel and soybeans at \$9.30 per bushel. The corn price estimate is down \$0.05 per bushel from this time last year but up \$0.15 per bushel from the December estimate. The soybean price estimate is down \$0.30 per bushel from this time last year and unchanged from the December estimate.

According to the most recent USDA 2018 Prospective Plantings report, both corn and soybean planted acreage will decline slightly nationwide. However, no significant change is expected in Illinois planted acreage. A wet March has led to area flooding, which increases the chances for spring flooding, delayed planting, and higher prevent plant acres if wet weather persists.

According to survey information in the 2018 Illinois Farmland Values and Lease Trends publication provided by the Illinois Society of Farm Managers and Rural Appraisers, cash rents on professionally managed farms in Illinois are essentially unchanged for the 2018 crop year. For the 2019 crop year, assuming corn prices remain in the mid-\$3.00 per bushel range, 58% of survey participants expect no change in cash rental rates. This compares to 36% of respondents that predict a decrease between \$5 and \$25 per acre next year.

LOAN PORTFOLIO

Loan Portfolio

Total loans were \$3.9 billion at March 31, 2018, a decrease of \$133.0 million from December 31, 2017. The decrease was primarily due to the seasonality of our commercial portfolio.

Portfolio Credit Quality

The credit quality of our portfolio declined from December 31, 2017. Adversely classified loans increased to 2.8% of the portfolio at March 31, 2018, from 2.5% of the portfolio at December 31, 2017. 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 March 31, 2018, \$66.4 million of our loans were, to some level, guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands)	March 31	December 31
As of:	2018	2017
Loans:		
Nonaccrual	\$ 6,609	\$ 5,540
Accruing restructured	80	110
Accruing loans 90 days or more past due	1,015	--
Total risk loans	7,704	5,650
Other property owned	--	--
Total risk assets	\$ 7,704	\$ 5,650
Total risk loans as a percentage of total loans	0.2%	0.1%
Nonaccrual loans as a percentage of total loans	0.2%	0.1%
Current nonaccrual loans as a percentage of total nonaccrual loans	43.3%	45.1%
Total delinquencies as a percentage of total loans	0.4%	0.2%

Note: Accruing loans include accrued interest receivable.

As of March 31, 2018, risk assets and related ratios are within established risk management guidelines.

The increase in nonaccrual loans and accruing loans 90 days or more past due was primarily a reflection of the stress in the agricultural economy. Nonaccrual loans remained at an acceptable level at March 31, 2018, and December 31, 2017. 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 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:	March 31	December 31
	2018	2017
Allowance as a percentage of:		
Loans	0.2%	0.2%
Nonaccrual loans	135.2%	128.4%
Total risk loans	116.0%	125.9%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at March 31, 2018.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)	2018	2017
For the three months ended March 31		
Net income	\$ 19,533	\$ 17,460
Return on average assets	1.9%	1.8%
Return on average members' equity	8.4%	8.2%

Changes in the chart above relate directly to:

- Changes in income discussed below
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Funding, Liquidity, and Capital section

Changes in Significant Components of Net Income

(in thousands)			Increase (decrease) in net income
For the three months ended March 31	2018	2017	
Net interest income	\$ 24,351	\$ 24,031	\$ 320
Provision for (reversal of) loan losses	1,614	(3)	(1,617)
Patronage income	4,558	4,166	392
Other income, net	4,687	1,931	2,756
Operating expenses	13,028	12,584	(444)
(Benefit from) provision for income taxes	(579)	87	666
Net income	<u>\$ 19,533</u>	<u>\$ 17,460</u>	<u>\$ 2,073</u>

Changes in Net Interest Income

(in thousands)		
For the three months ended March 31	2018 vs 2017	
Changes in volume	\$	1,226
Changes in interest rates		(832)
Changes in nonaccrual income and other		(74)
Net change	<u>\$</u>	<u>320</u>

The change in the provision for (reversal of) loan losses and the change in the (benefit from) provision for income taxes was related to a group of production and intermediate-term loans for which the credit classification was downgraded during the quarter.

The change in other income was primarily due to our share of distributions from Allocated Insurance Reserve Accounts (AIRA) of \$2.3 million. These reserve accounts were established in previous years by the Farm Credit System Insurance Corporation (FCSIC) when premiums collected increased the level of the Insurance Fund beyond the required 2% of insured debt. There were no distributions in 2017.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matures on July 31, 2020, at which time the note will be renegotiated. 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. Our other source of lendable funds is from unallocated surplus. At March 31, 2018, gross loans were funded 80.0% by the direct note and 20.0% by unallocated surplus.

The components of cost of funds associated with our note payable 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

We were not subject to a risk premium at March 31, 2018, or December 31, 2017.

Total members' equity increased \$19.2 million from December 31, 2017, primarily due to net income for the period. Accumulated other comprehensive loss is the impact of prior service cost and unamortized actuarial gain/loss related to the Pension Restoration Plan. Refer to Note 8 in our 2017 Annual Report for more information on the Pension Restoration Plan.

The Farm Credit Administration (FCA) Regulations require us to maintain a certain level for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents. Refer to Note 6 in our 2017 Annual Report for a more complete description of these ratios.

Select Capital Ratios

As of:	March 31 2018	December 31 2017	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	18.6%	18.2%	4.5%	2.5%*	7.0%
Tier 1 capital ratio	18.6%	18.2%	6.0%	2.5%*	8.5%
Total capital ratio	18.8%	18.3%	8.0%	2.5%*	10.5%
Permanent capital ratio	18.7%	18.2%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	20.4%	20.0%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	21.7%	21.1%	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.

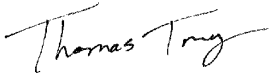
The capital adequacy ratios are directly impacted by the changes in capital as more fully explained in this section and the changes in assets as discussed in the Loan Portfolio section.

CERTIFICATION

The undersigned have reviewed the March 31, 2018, Quarterly Report of Farm Credit Illinois, ACA, which has been prepared under the oversight of the Audit Committee and 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.



Mark Miller
Chairperson of the Board
Farm Credit Illinois, ACA



Thomas H. Tracy
President & Chief Executive Officer
Farm Credit Illinois, ACA



Kelly D. Loschen
Chief Financial Officer
Farm Credit Illinois, ACA

May 10, 2018

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Illinois, ACA

(in thousands)

(Unaudited)

As of:	March 31 2018	December 31 2017
ASSETS		
Loans	\$ 3,940,799	\$ 4,073,787
Allowance for loan losses	8,933	7,111
Net loans	3,931,866	4,066,676
Investment in AgriBank, FCB	93,452	95,206
Accrued interest receivable	39,385	49,442
Deferred tax assets, net	434	--
Other assets	49,721	52,850
Total assets	\$ 4,114,858	\$ 4,264,174
LIABILITIES		
Note payable to AgriBank, FCB	\$ 3,152,214	\$ 3,314,191
Accrued interest payable	17,669	16,341
Deferred tax liabilities, net	--	145
Other liabilities	6,655	14,386
Total liabilities	3,176,538	3,345,063
Contingencies and commitments (Note 3)		
MEMBERS' EQUITY		
Protected members' equity	4	4
Capital stock and participation certificates	7,558	7,922
Unallocated surplus	931,803	912,270
Accumulated other comprehensive loss	(1,045)	(1,085)
Total members' equity	938,320	919,111
Total liabilities and members' equity	\$ 4,114,858	\$ 4,264,174

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Farm Credit Illinois, ACA

(in thousands)

(Unaudited)

For the period ended March 31	Three Months Ended	
	2018	2017
Interest income	\$ 42,020	\$ 37,167
Interest expense	17,669	13,136
Net interest income	24,351	24,031
Provision for (reversal of) loan losses	1,614	(3)
Net interest income after provision for (reversal of) loan losses	22,737	24,034
Other income		
Patronage income	4,558	4,166
Financially related services income	1,743	1,469
Fee income	537	332
Allocated insurance reserve accounts distribution	2,318	--
Miscellaneous income, net	89	130
Total other income	9,245	6,097
Operating expenses		
Salaries and employee benefits	7,544	7,572
Other operating expenses	5,484	5,012
Total operating expenses	13,028	12,584
Income before income taxes	18,954	17,547
(Benefit from) provision for income taxes	(579)	87
Net income	\$ 19,533	\$ 17,460
Other comprehensive income		
Employee benefit plans activity	\$ 40	\$ --
Total other comprehensive income	40	--
Comprehensive income	\$ 19,573	\$ 17,460

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Illinois, ACA

(in thousands)

(Unaudited)

		Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2016	\$	5	\$ 8,035	\$ 838,924	\$ --	\$ 846,964
Net income		--	--	17,460	--	17,460
Capital stock and participation certificates issued		--	146	--	--	146
Capital stock and participation certificates retired		(1)	(221)	--	--	(222)
Balance at March 31, 2017	\$	4	\$ 7,960	\$ 856,384	\$ --	\$ 864,348
Balance at December 31, 2017	\$	4	\$ 7,922	\$ 912,270	\$ (1,085)	\$ 919,111
Net income		--	--	19,533	--	19,533
Other comprehensive income		--	--	--	40	40
Capital stock and participation certificates issued		--	151	--	--	151
Capital stock and participation certificates retired		--	(515)	--	--	(515)
Balance at March 31, 2018	\$	4	\$ 7,558	\$ 931,803	\$ (1,045)	\$ 938,320

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. Our accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the three months ended March 31, 2018, are not necessarily indicative of the results to be expected for the year ending December 31, 2018. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2017, (2017 Annual Report).

The Consolidated Financial Statements present the consolidated financial results of Farm Credit Illinois, ACA (the Association) and its subsidiaries Farm Credit Illinois, FLCA and Farm Credit Illinois, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

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, we generally adopt on the public entity required date to align with other Farm Credit System institutions. For recently issued and adopted accounting pronouncements disclosed, we plan to adopt on the public entity effective date.

Standard and effective date	Description	Adoption status and financial statement impact
In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09 "Revenue from Contracts with Customers." This guidance was effective for public entities on January 1, 2018.	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 adopted this guidance on 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 was effective for public entities on January 1, 2018.	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.	We adopted this guidance on January 1, 2018. The adoption of the guidance did not impact the Association's financial condition or cash flows, but did change the classification of certain items in the results of operations. The change in classification was not material and did not result in a reclassification on the Statement of Comprehensive Income. There were no changes to the financial statement disclosures.
In January 2016, the FASB issued ASU 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities." This guidance was effective for public business entities on January 1, 2018.	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.	We adopted this guidance on January 1, 2018. The adoption of this guidance did not impact our financial condition, results of operations or cash flows, but did impact the Association's fair value disclosures.
In February 2016, the FASB issued ASU 2016-02 "Leases." The guidance is effective for public entities in its first quarter of 2019 and early adoption is permitted.	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.	We have no plans to early adopt this guidance. We are currently evaluating the impact of the guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.
In June 2016, the FASB issued ASU 2016-13 "Financial Instruments – Credit Losses." This guidance is effective for public business entities for non-U.S. Securities Exchange Commission filers for the first quarter of 2021 and early adoption is permitted.	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.	We have no plans to early adopt this guidance. We are currently evaluating the impact of the guidance on our financial condition, results of operations, cash flows, and financial statement disclosures.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	March 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Real estate mortgage	\$ 2,238,880	56.8%	\$ 2,278,901	55.9%
Production and intermediate-term	680,553	17.3%	864,617	21.2%
Agribusiness	811,202	20.6%	742,575	18.2%
Other	210,164	5.3%	187,694	4.7%
Total	\$ 3,940,799	100.0%	\$ 4,073,787	100.0%

The other category is primarily comprised of rural infrastructure and international related loans and certain assets originated under the mission related investment authority.

Delinquency

Aging Analysis of Loans

(in thousands) As of March 31, 2018	30-89 Days Past Due		90 Days or More Past Due		Total Past Due		Not Past Due or Less than 30 Days Past Due		Accruing Loans 90 Days or More Past Due	
	\$		\$		\$		\$		\$	
Real estate mortgage	\$ 1,911	\$ 1,909	\$ 3,820	\$ 2,262,759	\$ 2,266,579	\$ --				
Production and intermediate-term	8,838	2,679	11,517	677,189	688,706	1,015				
Agribusiness	10	--	10	814,132	814,142	--				
Other	--	--	--	210,757	210,757	--				
Total	\$ 10,759	\$ 4,588	\$ 15,347	\$ 3,964,837	\$ 3,980,184	\$ 1,015				

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		Accruing Loans 90 Days or More Past Due	
	\$		\$		\$		\$		\$	
Real estate mortgage	\$ 1,953	\$ 1,677	\$ 3,630	\$ 2,306,877	\$ 2,310,507	\$ --				
Production and intermediate-term	1,842	1,284	3,126	875,742	878,868	--				
Agribusiness	293	--	293	745,287	745,580	--				
Other	--	--	--	188,274	188,274	--				
Total	\$ 4,088	\$ 2,961	\$ 7,049	\$ 4,116,180	\$ 4,123,229	\$ --				

Note: Accruing loans include accrued interest receivable.

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.

Risk Loan Information

(in thousands) As of:	March 31 2018	December 31 2017
Volume with specific allowance	\$ 711	\$ 679
Volume without specific allowance	6,993	4,971
Total risk loans	\$ 7,704	\$ 5,650
Total specific allowance	\$ 551	\$ 529
For the three months ended March 31	2018	2017
Income on accrual risk loans	\$ 9	\$ 5
Income on nonaccrual loans	98	172
Total income on risk loans	\$ 107	\$ 177
Average risk loans	\$ 6,425	\$ 5,156

Note: Accruing loans include accrued interest receivable.

We did not have any material commitments to lend additional money to borrowers whose loans were classified as risk loans at March 31, 2018.

Troubled Debt Restructurings (TDRs)

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 restructured loan. 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 TDRs are considered risk loans. All risk loans are analyzed within our allowance for loan losses. We record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral.

We completed TDRs of certain production and intermediate-term loans during the three months ended March 31, 2018, and 2017. Our recorded investment in these loans just prior to restructuring was \$42 thousand and \$217 thousand during the three months ended March 31, 2018, and 2017, respectively. Our recorded investment in these loans immediately following the restructuring was \$42 thousand and \$216 thousand during the three months ended March 31, 2018, and 2017, 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 extension of maturity and forgiveness of interest.

We had TDRs in the production and intermediate-term loan category of \$96 thousand and \$49 thousand that defaulted during the three months ended March 31, 2018, and 2017, respectively in which the modifications were within twelve months of the respective reporting period.

TDRs Outstanding in the Production and Intermediate-Term Loan Category		
(in thousands)	March 31	December 31
As of:	2018	2017
TDRs in accrual status	\$ 80	\$ 110
TDRs in nonaccrual status	266	254
Total TDRs	<u>\$ 346</u>	<u>\$ 364</u>

There were no material commitments to lend to borrowers whose loans have been modified in a TDR at March 31, 2018.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands)	2018	2017
Three months ended March 31		
Balance at beginning of period	\$ 7,111	\$ 6,420
Provision for (reversal of) loan losses	1,614	(3)
Loan recoveries	223	157
Loan charge-offs	(15)	(17)
Balance at end of period	<u>\$ 8,933</u>	<u>\$ 6,557</u>

NOTE 3: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, 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.

NOTE 4: 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 levels of inputs that may be used to measure fair value. Refer to Note 2 in our 2017 Annual Report 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 March 31, 2018, or December 31, 2017.

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 March 31, 2018			Total Fair Value
	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	
Impaired loans	\$ --	\$ --	\$ 169	\$ 169

	As of December 31, 2017			Total Fair Value
	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	
Impaired loans	\$ --	\$ --	\$ 157	\$ 157

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 5: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 10, 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 Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.