FCS FINANCIAL
Growing Relationships. Creating Opportunities.™
A FARM CREDIT COOPERATIVE

Quarterly Report
March 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of FCS Financial, ACA and its subsidiaries FCS Financial, FLCA and FCS Financial, 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.

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:

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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

FCS Financial entered 2018 following a generally favorable 2017 crop production cycle for many producers across the state. The positive impact of above average corn and soybean yields for these producers were mitigated by continued low commodity prices. Modest profits to break-even operations were common.

Weather conditions for the first quarter started dry for much of the state, but rainfall has largely caught up across the state. As the state prepares for spring planting cooler temperatures are keeping soil temperatures below normal precluding the likelihood of an early planting season.

The United State Department of Agriculture (USDA) Economic Research Service preliminary Net Farm Income estimate for 2017 reflects continued moderated profit levels for farmers, and they forecast no improvement for 2018. These lower levels of farmer profitability continue to challenge the working capital and repayment capacity levels of agriculture producers. Input costs have come down, but not at the same rate as revenue levels.

Prices in the meat complex have softened due to increased production supplies, but have benefitted from reasonably strong global meat demand. Political concerns over the potential impact of trade disputes have elevated. US livestock producers are dependent on meat exports to maintain profitable price levels. A positive for FCS Financial is that many cow-calf producers operate as part-time farmers with alternate income sources to supplement their farming operations. Also, many poultry and swine producers operate under contract-integrator relationships which reduce price risk for the producer.

The sale of Missouri cropland has slowed relative to levels of recent years although values remain relatively stable. This is especially true of land with higher quality soil types. In some cases, below average quality crop land has experienced reduced market demand and lower values. Rental rates for crop land are mixed based upon local market conditions, but generally have remained fairly stable. Land that is predominately other than crop (pasture, wood land, recreational tracts) continues to sell at stable or even strengthening values. Overall, valuations for real estate, which is the primary collateral asset class for FCS Financial loans, are stable.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $3.8 billion at March 31, 2018, a decrease of $30.7 million from December 31, 2017, and an increase of $154.1 million from March 31, 2017. The decrease was primarily due to a decline in our production and intermediate-term loan portfolio.

Portfolio Credit Quality

The credit quality of our portfolio improved from December 31, 2017. Adversely classified loans decreased to 2.3% of the portfolio at March 31, 2018, from 2.6% 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, $229.5 million of our loans were, to some level, guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	**March 31 2018**	December 31 2017
Loans:		
Nonaccrual	**$6,241**	$8,751
Accruing restructured	**1,280**	1,310
Accruing loans 90 days or more past due	**--**	--
Total risk loans	**7,521**	10,061
Other property owned	**--**	--
Total risk assets	**$7,521**	$10,061
Total risk loans as a percentage of total loans	**0.2%**	0.3%
Nonaccrual loans as a percentage of total loans	**0.2%**	0.2%
Current nonaccrual loans as a percentage of total nonaccrual loans	**80.1%**	69.3%
Total delinquencies as a percentage of total loans	**0.2%**	0.1%

Note: Accruing loans include accrued interest receivable.

Our risk assets have decreased from December 31, 2017, and remained at acceptable levels. Total risk loans as a percentage of total loans were well within our established risk management guidelines.

The decrease in nonaccrual loans was primarily due to the payoff of two nonaccrual loans that totaled about $2 million. Nonaccrual loans remained at an acceptable level at March 31, 2018, and December 31, 2017.

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 2018**	December 31 2017
Allowance as a percentage of:		
Loans	**0.4%**	0.4%
Nonaccrual loans	**255.9%**	181.9%
Total risk loans	**212.3%**	158.2%

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) For the three months ended March 31	**2018**	2017
Net income	**$19,804**	$15,425
Return on average assets	**2.0%**	1.6%
Return on average members' equity	**9.8%**	8.1%

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) For the three months ended March 31	**2018**	2017	**Increase in net income**
Net interest income	**$24,247**	$22,976	**$1,271**
Patronage income	**3,489**	3,359	**130**
Other income, net	**3,308**	1,058	**2,250**
Operating expenses	**11,314**	11,646	**332**
(Benefit from) provision for income taxes	**(74)**	322	**396**
Net income	**$19,804**	$15,425	**$4,379**

Changes in Net Interest Income

(in thousands) For the three months ended March 31	**2018 vs 2017**
Changes in volume	**$1,127**
Changes in interest rates	**(67)**
Changes in nonaccrual income and other	**211**
Net change	**$1,271**

The change in other income was primarily due to our share of distributions from Allocated Insurance Reserve Accounts of $2.1 million. These reserve accounts were established in previous years by the Farm Credit System Insurance Corporation 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 December 31, 2019, 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.

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 $13.9 million from December 31, 2017, primarily due to net income for the period partially offset by patronage distribution accruals.

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 7 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	**18.1%**	18.2%	4.5%	2.5%*	7.0%
Tier 1 capital ratio	**18.1%**	18.2%	6.0%	2.5%*	8.5%
Total capital ratio	**18.5%**	18.6%	8.0%	2.5%*	10.5%
Permanent capital ratio	**18.1%**	18.3%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**18.9%**	19.1%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**19.4%**	19.6%	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.

RELATIONSHIP WITH AGRIBANK

Purchased Services

During 2016, District associations and AgriBank conducted research related to repositioning many business services offered by AgriBank into a separate entity jointly owned by AgriBank and participating associations. The long-term strategic objective of this initiative is to increase scale, improve operating efficiency, and enhance technology and business services. The proposed service entity will be named SunStream Business Services. An application to form the service entity was submitted to the FCA for approval in May 2017, and the FCA continues its due diligence on the charter request.

CERTIFICATION

The undersigned have reviewed the March 31, 2018, Quarterly Report of FCS Financial, 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.

James A. Nivens
Chairperson of the Board
FCS Financial, ACA

David D. Janish
Chief Executive Officer
FCS Financial, ACA

Steve Harrington
Chief Financial Officer
FCS Financial, ACA

May 9, 2018

CONSOLIDATED STATEMENTS OF CONDITION

FCS Financial, ACA

(in thousands)
(Unaudited)

As of:	**March 31 2018**	December 31 2017
ASSETS		
Loans	**$3,788,827**	$3,819,508
Allowance for loan losses	**15,969**	15,915
Net loans	**3,772,858**	3,803,593
Investment in AgriBank, FCB	**79,622**	79,125
Accrued interest receivable	**37,251**	40,380
Deferred tax assets, net	**1,029**	955
Other assets	**55,613**	60,085
Total assets	**$3,946,373**	$3,984,138
LIABILITIES		
Note payable to AgriBank, FCB	**$3,090,574**	$3,131,564
Accrued interest payable	**17,797**	16,523
Patronage distribution payable	**5,725**	21,763
Other liabilities	**16,593**	12,533
Total liabilities	**3,130,689**	3,182,383
Contingencies and commitments (Note 4)		
MEMBERS' EQUITY		
Protected members' equity	**8**	8
Capital stock and participation certificates	**12,077**	12,231
Unallocated surplus	**803,599**	789,516
Total members' equity	**815,684**	801,755
Total liabilities and members' equity	**$3,946,373**	$3,984,138

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

CONSOLIDATED STATEMENTS OF INCOME

FCS Financial, ACA

(in thousands)

(Unaudited)

	Three Months Ended	
For the period ended March 31	**2018**	2017
Interest income	**$42,043**	$37,415
Interest expense	**17,796**	14,439
Net interest income	**24,247**	22,976
Other income		
Patronage income	**3,489**	3,359
Financially related services income	**294**	246
Fee income	**675**	626
Allocated insurance reserve accounts distribution	**2,136**	--
Miscellaneous income, net	**203**	186
Total other income	**6,797**	4,417
Operating expenses		
Salaries and employee benefits	**6,903**	6,908
Other operating expenses	**4,411**	4,738
Total operating expenses	**11,314**	11,646
Income before income taxes	**19,730**	15,747
(Benefit from) provision for income taxes	**(74)**	322
Net income	**$19,804**	$15,425

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

FCS Financial, ACA

(in thousands)

(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2016	$8	$12,598	$741,134	$753,740
Net income	--	--	15,425	15,425
Unallocated surplus designated for patronage distributions	--	--	(3,097)	(3,097)
Capital stock and participation certificates issued	--	217	--	217
Capital stock and participation certificates retired	--	(360)	--	(360)
Balance at March 31, 2017	$8	$12,455	$753,462	$765,925
Balance at December 31, 2017	$8	$12,231	$789,516	$801,755
Net income	**--**	**--**	**19,804**	**19,804**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(5,721)**	**(5,721)**
Capital stock and participation certificates issued	**--**	**211**	**--**	**211**
Capital stock and participation certificates retired	**--**	**(365)**	**--**	**(365)**
Balance at March 31, 2018	**$8**	**$12,077**	**$803,599**	**$815,684**

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.

The Consolidated Financial Statements present the consolidated financial results of FCS Financial, ACA (the Association) and its subsidiaries FCS Financial, FLCA and FCS Financial, 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, results of operations, cash flows, or 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 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.” 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	**$2,153,048**	**56.9%**	$2,126,626	55.7%
Production and intermediate-term	**633,844**	**16.7%**	755,647	19.8%
Agribusiness	**778,009**	**20.5%**	750,158	19.6%
Other	**223,926**	**5.9%**	187,077	4.9%
Total	**$3,788,827**	**100.0%**	$3,819,508	100.0%

The other category is primarily comprised of communication, energy, and other diversified industries in our capital markets portfolio.

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	Total
Real estate mortgage	**$2,290**	**$986**	**$3,276**	**$2,173,434**	**$2,176,710**
Production and intermediate-term	**2,560**	**102**	**2,662**	**641,009**	**643,671**
Agribusiness	**10**	**3**	**13**	**781,203**	**781,216**
Other	**--**	**--**	**--**	**224,481**	**224,481**
Total	**$4,860**	**$1,091**	**$5,951**	**$3,820,127**	**$3,826,078**

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
Real estate mortgage	$1,887	$1,113	$3,000	$2,148,167	$2,151,167
Production and intermediate-term	1,324	959	2,283	765,197	767,480
Agribusiness	--	85	85	753,474	753,559
Other	112	--	112	187,570	187,682
Total	$3,323	$2,157	$5,480	$3,854,408	$3,859,888

Note: Accruing loans include accrued interest receivable.

There were no loans 90 days or more past due and still accruing interest at March 31, 2018, and December 31, 2017.

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	**$210**	$1,141
Volume without specific allowance	**7,311**	8,920
Total risk loans	**$7,521**	$10,061
Total specific allowance	**$142**	$648
For the three months ended March 31	**2018**	2017
Income on accrual risk loans	**$16**	$17
Income on nonaccrual loans	**360**	149
Total income on risk loans	**$376**	$166
Average risk loans	**$8,611**	$9,116

Note: Accruing loans include accrued interest receivable.

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.

TDR Activity

(in thousands)

Three months ended March 31	**2018**		2017	
	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	**$746**	**$746**	$ --	$ --
Production and intermediate-term	**--**	**--**	290	290
Agribusiness	**82**	**82**	--	--
Total	**$828**	**$828**	$290	$290

Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. 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 type of modification included deferral of principal.

There were no TDRs that defaulted during the three months ended March 31, 2018, or 2017 in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:	**March 31 2018**	December 31 2017
Accrual status:		
Real estate mortgage	**$510**	$551
Production and intermediate-term	**770**	759
Total TDRs in accrual status	**$1,280**	$1,310
Nonaccrual status:		
Real estate mortgage	**$2,202**	$1,487
Production and intermediate-term	**581**	650
Agribusiness	**80**	--
Total TDRs in nonaccrual status	**$2,863**	$2,137
Total TDRs:		
Real estate mortgage	**$2,712**	$2,038
Production and intermediate-term	**1,351**	1,409
Agribusiness	**80**	--
Total TDRs	**$4,143**	$3,447

There were no 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) Three months ended March 31	**2018**	2017
Balance at beginning of period	**$15,915**	$16,428
Loan recoveries	**113**	145
Loan charge-offs	**(59)**	(60)
Balance at end of period	**$15,969**	$16,513

NOTE 3: OTHER INVESTMENTS

We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). Our total commitment is $5.0 million with varying commitment end dates through September 2021. Certain commitments may have an option to extend under certain circumstances. Our investments in the RBICs are recorded in “Other assets” in the Consolidated Statements of Condition, and totaled $230 thousand at March 31, 2018, and $180 thousand at December 31, 2017.

NOTE 4: 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 5: 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			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	**$ --**	**$ --**	**$71**	**$71**
	As of December 31, 2017			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$518	$518

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 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 9, 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.