2018 annual report

PUTTING OUR STRENGTH TO WORK.

FRONTIER
FARM CREDIT

$2.0
BILLION in Loans

$451.4
MILLION in Members' Equity

$46.4
MILLION in Net Income

$15.7
MILLION in
Cash-Back Dividends (Estimated)

Financial Highlights	2018	2017	2016
Loans	$2.0 billion	$1.9 billion	$1.9 billion
Members' Equity	$451.4 million	$420.1 million	$386.1 million
Net Income	$46.4 million	$43.6 million	$37.5 million
Cash-Back Dividends	$15.7 million (estimated)	$11.5 million	$9 million

PUTTING OUR STRENGTH TO WORK.

With more than 100 years of service, we understand the cycles of agriculture and the challenges that are part of them.

Frontier Farm Credit was built for times like this.

More than simply financing agriculture, we are providing expertise and financial guidance to those who need it, working to grow the next generation and helping to support our local communities.

On the following pages, you will find examples of ways we are making a difference – finding ways to grow revenue, helping young producers gain a foothold, protecting livelihoods through risk management and investing in technologies that can help producers find profit.

We are working harder than ever – and investing more than ever – for your success. We are proud to serve your farming and ranching financial needs.

INVESTING IN THE SUCCESS OF OUR CUSTOMER-OWNERS.

Agriculture is like no other business, which is why Frontier Farm Credit is like no other lender.

While some agricultural operations are more challenged than others by lower commodity prices, everybody in the industry has been impacted by the past year's volatility and uncertainty. Your financial cooperative was built for times like this. In fact, this prolonged period of compressed margins has proven more than ever the value of a mission-driven lender in agriculture.

In 2018, for example, Frontier Farm Credit offered a one-time principal-deferral program on qualifying loans that allowed customers to retain working capital while implementing cost-adjustment solutions. We revamped our crop insurance agency to give customers more options for doing business with us, including online renewal of policies. And we introduced Magnify℠, our one-of-a-kind accounting and farm management tool designed to help producers be better, more confident managers of their businesses.

Individually, each initiative represents a significant investment in the success of our customer-owners. Collectively, they underscore the power of our mission-driven, customer-owned business model.

The benefits of that model are also evident in the $96.1 million that Frontier Farm Credit has returned to customer-owners since we began our patronage program 15 years ago. For 2018, the Board approved the largest cash-back dividend in our history, the equivalent of 90 basis points for an estimated payout of $15.7 million. The Board intends to keep cash-back dividends at 90 basis points for the foreseeable future, barring unforeseen events.

The Board is confident that your cooperative can maintain this level of cash-back dividend payments because of its solid financial performance. We finished 2018 with net income of $46.4 million, an increase of 6.5 percent. Members' equity rose to $451.4 million.

I am proud to lead a cooperative that is putting its strength to work for customer-owners, not only for today but also for tomorrow. We are making investments that will allow Frontier Farm Credit to grow and change with our industry – and continue serving you through all the changes to come.

This includes finding new ways to use technology and data to serve you better and enhance the operating efficiencies that contribute to your cooperative's financial strength. It means further developing financial tools such as Magnify to help you better understand the profitability of your operation while adding new digital channels to make it easier to do business with us. And it means continuing to invest in people who can help us deliver on our vision of being agriculture's most valued financial partner.

The stage is set for change in our industry and your cooperative is ready for it. Thank you for choosing us as your lender. We look forward to serving you and your families in the years to come.

Mark Jensen
President and CEO

NAME:
Calvin & Karen Phillips
Caleb & Janet Phillips

LOCATION:
Dennis, Kansas
Cherryvale, Kansas

OPERATION:
Grain & Cattle Producers

CUSTOMERS SINCE:
1976 & 2007

What I enjoy most about farming

Calvin: Farming was my dream to begin with, and while not every day is a picnic, it's always good to work outdoors and be your own boss. I enjoy the freedom and independence that farming offers, and I enjoy being close to nature.

Our family business approach

Caleb: We do things a little bit different here. My father, grandfather and I each have individual operations that come together to make one big operation. So Dad and Grandpa have their own operations and call the shots, and I have my totally separate operation and call the shots on mine. But we come together to get all the work done.

Advice to other young and beginning farmers

Janet: Don't be afraid of hard work. It's one of those cliché things, but there's a lot of hard work that goes into an operation like ours. Starting out, we didn't have the financial stability to buy all the equipment we needed, but we put in the extra hours to do the work others couldn't, and that helped us eventually get the financial backing we needed. Hard work is key to all of this. Without it, you'll never make it in farming.

VIEW THEIR STORIES AT:
frontierfarmcredit.com/CalvinKaren
frontierfarmcredit.com/CalebJanet

PICTURED LEFT TO RIGHT: Karen, Calvin, Caleb & Janet Phillips

PROVIDING GUIDANCE, GROWING TRUST.

At Frontier Farm Credit, our mission is to be a reliable lender, for today and tomorrow. We are here when agriculture needs us most, with agricultural expertise and financial reliability to secure the future of your farm and family.

For three generations, the Phillipses have depended on the knowledge and experience of their Frontier Farm Credit team to grow and sustain their family farm.

"My dad always said that money is like a tool when it comes to operating a farm. And you can't farm without the right tools," says Calvin. "We consider money a tool to help us get what we need done on our farm, and it's very important to have a reliable financial partner to do that. Frontier Farm Credit has been a great asset for us in that regard."

Calvin started farming in 1973 after graduating from Kansas State University with a degree in animal science. He got his first loan from Farm Credit in 1976 when he started raising hogs. Eventually, Calvin grew his farm to include crops and stocker calves.

Today, Calvin shares his passion working in agriculture with his son, Caleb, and daughter-in-law, Janet, who are carrying on the Phillips farming tradition.

RELIABLE LINE OF CREDIT

As a high school student, Caleb had the opportunity to rent some crop ground and start his cattle operation thanks to the support of his grandparents, Dale and Irene Phillips. He returned home to the farm full time after obtaining a degree in agronomy from Kansas State University.

He says partnering with Frontier Farm Credit for his operating needs was an easy decision.

"We decided to continue with Frontier Farm Credit because of the knowledge, experience and the fact they are local. It's hard to beat that. They set me up with an operating loan when I first started – the process was so simple and seamless."

Because each generation of the Phillips family operates independently from one another, Caleb says it was also important to team up with a lender that understands the dynamics of their family business approach.

"In farming, you need a good financial partner on your team, someone you can trust and that knows agriculture. Working with Frontier Farm Credit, I know they're going to take care of me and help us figure out a strategy that works for everyone involved."

"We trust that they are going to help us make good decisions," Janet adds. "They offer us services that help us better our operation, and we know we can rely on their expertise."

BUILDING A LEGACY, WORKING FOR THE FUTURE.

As a mission-driven financial cooperative, Frontier Farm Credit is uniquely positioned to serve the farms and ranches of rural America. In everything we do, we strive to be agriculture's most valued financial partner. Every day, we work to finance your success.

If you're not expanding, you're sitting still. That's the philosophy Kevin and Karla Effland have lived by since they started farming in 1975.

"When we started dairying and I bought my dad and uncle out, we had 30 milk cows. I was only 23 years old, but in a short span of time, my wife and I were able to grow the herd to 128 milk cows," says Kevin.

Then, in 1996, the Efflands made the decision to transition from dairy to beef cattle.

"As our sons were growing up and getting old enough to participate in sports, we found we didn't have enough time to go to their games," says Kevin. "I read an article about a producer swapping his milk cows for beef cows. Within a week the dairy herd was gone and a neighbor of mine who was retiring sold me all of his beef cattle."

"Pretty soon, the phone started ringing and we ended up renting a lot of farm ground and never looked back. That was fun."

Big changes in the Effland's farming operation also prompted them to develop a new relationship with Frontier Farm Credit as their trusted financial partner.

"I came to Frontier Farm Credit because of their operating notes," says Kevin. "With our former lender, every two to three weeks I had to go in and sign a new note."

"I felt like I spent more time at the bank than I did farming," he says. "Frontier Farm Credit's operating notes have made my life so much simpler."

CAPITALIZING ON OPPORTUNITIES

True to their farming philosophy, the Efflands have continued to capitalize on new opportunities with help from Frontier Farm Credit.

"In 2013, we attended a cow/calf sale with the intention of purchasing 15 pairs. When we arrived, buyers were down due to a recent dry spell and pairs were averaging $1,200," explains Kevin.

"We got on the phone with our lending officer and in a split second we were able to take advantage of a big opportunity for our operation," he says. "We knew it was a good deal and we came home with 80 pairs that day."

NAME:
Kevin & Karla Effland

LOCATION:
White City, Kansas

OPERATION:
Grain & Beef Producers

CUSTOMERS SINCE:
2005

Our greatest challenge
Kevin: Nothing goes as planned. Our biggest day-to-day challenge is overcoming all the obstacles that jump in the way of completing what we had planned for the day.

What I enjoy most about farming
Kevin: I enjoy watching our cattle and crops grow. It sounds silly, but I even like building fences and cattle pens. After we finish, we can sit back and say, "We built that."

Our vision for our operation
Kevin: Our goal is to expand every year. If we aren't expanding, we are sitting still. We also try to stay centrally located. Our farthest farm ground is five miles from our home base.

VIEW THEIR STORY AT:
frontierfarmcredit.com/KevinKarla

NAME:
Klint & Darcy Henke

LOCATION:
Madison, Kansas

OPERATION:
Grain & Cattle Producers

CUSTOMERS SINCE:
2015

My business philosophy

Klint: I'm probably more conservative. I'm not looking for the home run. If I can hit a double every time, then I would rather do that. That keeps money flowing in. Every once in awhile you can swing for the fence, but as a general rule I try to operate pretty conservatively and take profit where I can get it.

Preparing for the next generation

Klint: In order to have a place for our children to return to the farm someday, we'll have to continue to make improvements and become more efficient. It's going to be important for us to understand our situation, manage what we have and know when to expand or seize opportunities.

My vision for our operation

Klint: I'm looking forward to continuing to work together as a family. If we keep persevering, I think we have an opportunity to be successful and continue doing what we love.

VIEW THEIR STORY AT:
frontierfarmcredit.com/KlintDarcy

TOOLS AND TECHNOLOGY TO HELP GROW YOUR SUCCESS.

From our lending products to our risk management solutions, we have the tools to manage your operation's financial health. Regardless of your needs, we work beside you to help you make the best choices for your farm.

In 2013, Klint and Darcy Henke relocated to Madison, Kansas, to join Darcy's family grain and feeder cattle operation. An upbringing on a farm in north-central Kansas and a college degree in animal science helped prepare Klint for the partnership.

"I knew what I was getting into. Anytime you're transitioning the farm and trying to balance making a living and spending time at home, there's going to be long hours, hard work and some struggles," he says.

Since the transition, Klint says one of his biggest challenges has been adopting new strategies for profitability.

"It takes a lot of planning and paperwork to see where you are and lock in a profit, whether that's through forward contracting or using futures or options. Technology is going to be first and foremost as we go forward in utilizing the tools we need to make ends meet."

Klint credits his relationship with Frontier Farm Credit for providing him with the tools and services he needs to stay competitive.

"Frontier Farm Credit does a good job of keeping up with technology. It seems like they are always adding management tools and other services to help producers save time and money," he says. "I think they're doing their part to keep up with the speed we have to operate."

CUSTOMER COMMUNICATION

While Frontier Farm Credit supports the Henke's family business in a variety of ways, Klint says he is most appreciative of the responsive communication he receives working with his crop insurance officer.

"I have been really pleased with the way my crop insurance officer is always looking out for me and reminding me of important deadlines," Klint says. "In this day and age when you've got a hundred different things going on, it's really nice to know you can call or send a text or email and count on a quick response."

MAKING A DIFFERENCE IN THE COMMUNITIES WE SERVE.

In 2018, Frontier Farm Credit employees dedicated more than 730 hours in the local communities where they live and work. We also contributed more than $290,000 to projects and initiatives that positively impact agriculture, including $150,460 through our *Working Here Fund* and expanded grant programs.

Our efforts focused on expanding agricultural education, cutting-edge technology, hands-on learning, breaking the hunger cycle and supporting others in agriculture by cultivating opportunities for the next generation to learn and grow.

The accompanying map shows the scope of our community impact work in 2018. Our time and contributions benefited many communities across our territory, supporting local initiatives and projects such as ag in the classroom, community gardens, mobile pantries, leadership programs for young women in agriculture, natural disaster response efforts and more.

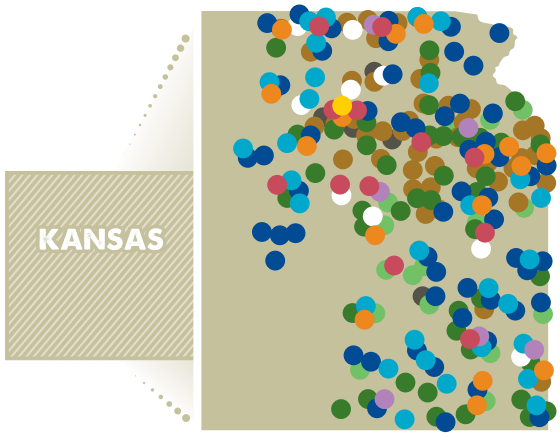
For more information about our community involvement, visit **frontierfarmcredit.com/community.**

735
volunteer hours
contributed

more than **$290,000**
in financial contributions

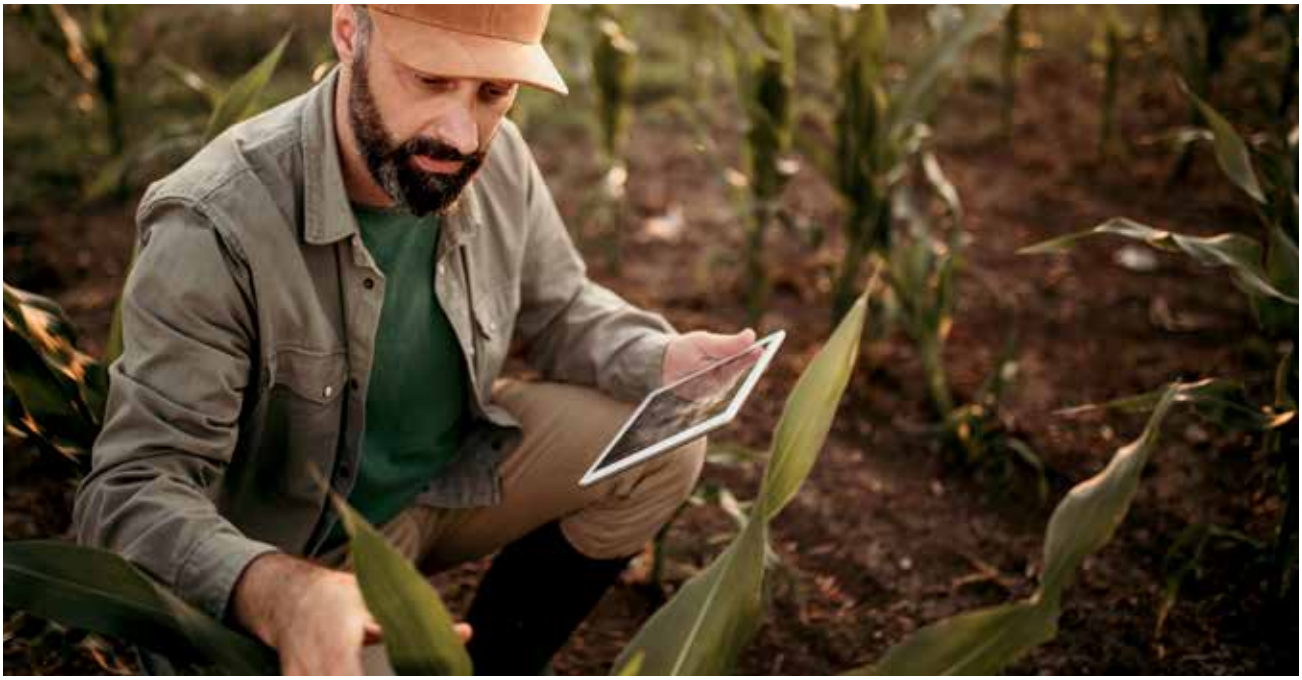
$150,460
in grant programs

Community Impact Map



- **Employee Match** This program provided matches of up to $150 for each employee and Director contribution to causes meaningful to them.
- **Employee Volunteers** Frontier Farm Credit employees volunteered 735 hours for nonprofit organizations in their local communities.
- **Expanded Grants** Up to $10,000 per grant totaling $49,500 for hunger and nutrition, ag education, rural disaster relief essential services, plus young and beginning producer initiatives.
- **Farm Risk Management Tool** Provided GrainBridge web-based farm risk management online tool and curriculum to 32 high school FFA chapters.
- **FFA Support** Provided FFA handbooks to 56 eastern Kansas FFA chapters.
- **Grain Bin Rescue** Donated grain bin rescue training and equipment for nine local volunteer fire departments.
- **Grants** Provided 63 *Working Here Fund* grants totaling $100,960 for hunger and nutrition, ag education, rural disaster relief essential services, and young and beginning producer initiatives.
- **Hunger Relief** Provided funding for food distribution to underserved counties with high percentages of food insecurity.
- **Local Contributions** Each of our six offices impacted communities with funding support for local programs and initiatives.
- **Scholarships** Awarded eight $2,500 agriculture scholarships to Kansas State University students and four $1,000 scholarships to community college students.
- **Underwriting Support** Funded support for Kansas State University Center for Risk Management Education and Research.

THE AGRICULTURAL AND FINANCIAL EXPERTISE OF OUR LOCAL TEAMS REMAINS OUR GREATEST STRENGTH.



As customer-owners of Frontier Farm Credit, we each have an interest in the success of our financial cooperative. Whether we raise crops or livestock, rent or own land, have a new or generational business, we all understand that our operations depend on consistent, reliable credit.

Your Board of Directors, elected by you, strives to make decisions that ensure you can depend on Frontier Farm Credit regardless of the economic cycle.

One of the key initiatives Frontier Farm Credit has undertaken in this stressed environment is to work with customers to position their operations for the future, including restructuring debt and helping them address costs.

The Board also announced in 2018 its intention to return cash-back dividends equivalent to 90 basis points to eligible customer-owners for the foreseeable future. We did this to give some certainty to our customers in these uncertain times. This represents a significant enhancement to our patronage program and reflects Frontier Farm Credit's financial strength, which has grown through our strategic alliance with Farm Credit Services of America (FCSAmerica).

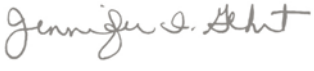
The alliance brought business processes and efficiencies to Frontier Farm Credit that continue to improve our profitability and position our cooperative to meet the future needs of rural America. Our cost of doing business has been cut by more than half since 2014, the year before our alliance with FCSAmerica. During this same period, our income has increased by 63 percent and patronage is up 124 percent.

The benefits of the alliance also extend to our farms and ranches, including through digital tools that make it easier to do business with Frontier Farm Credit and save customers time and money. Remote Deposit, for example, has saved Frontier Farm Credit customers more than $403,000 in interest expense since it was introduced to our Association in 2015.

In 2018, Frontier Farm Credit joined FCSAmerica in launching a farm financial management solution aimed at improving profitability on the farm and ranch and helping producers make better, more informed business decisions. As we move forward, we will continue to invest in tools and technology that help producers be more efficient and effective financial managers of their operations.

No matter what the future brings, the agricultural and financial expertise of our local Frontier Farm Credit teams will remain our greatest strength. On behalf of the Board, I want to thank the leaders and teammates at Frontier Farm Credit for the work they do every day to serve farmers and ranchers and our industry.

I also want to thank you, my fellow shareholders, for the trust you have placed in your Board of Directors. We wish you continued success.



Jennifer I. Gehrt
2018 Board Chair

Frontier Farm Credit, ACA Directors

Kathy Brick / Overland Park, Kansas
An appointed Director, Brick has consulted for the last five years with private, not-for-profit and public companies on a variety of financial, internal control and process improvement matters through both Kathy Brick, L.L.C., and an international management consulting firm. She also serves as managing director of Prairie View Holdings, L.L.C., a family farming operation in Missouri. She was appointed to the Frontier Farm Credit Board in 2014; her current term ends March 31, 2021.

Ronald Dunbar / Princeton, Kansas
Dunbar is president of Dunbar Farms, Inc., a family operation that includes raising a variety of crops and hay, maintaining a beef cow herd, and backgrounding and finishing cattle. He also is a partner in Rabnud, L.L.C., an agriculture land company. He serves on the Franklin County Conservation District Board, Richmond United Methodist Church Administrative Council (chair) and Richmond Cemetery Board. He was elected to the Frontier Farm Credit Board in 2003; his current term ends March 31, 2019.

Jennifer Gehrt / Alma, Kansas
Gehrt is majority partner of G&W Ranch, L.L.C., president of Gehrt Farm, Inc., and an agricultural landowner. She also is associate director of information systems at Kansas State University, where she previously served as project director in the information services office and director of human resource services. She serves on the Wabaunsee County Historical Society and Museum Board of Directors. Gehrt was appointed to the Frontier Farm Credit Board in 2011 and was elected to the Board in 2016. Her current term ends March 31, 2020.

Bill Miller / Council Grove, Kansas
Miller is president of ABCD2 Cattle Co., L.L.C., a cattle-feeding business, and co-owner of Miller Ranch, a ranch on which he and his wife run commercial Angus cows. Additionally, he does communications consulting for U.S. Premium Beef, L.L.C., where he previously served as vice president of communications. Miller is a member of the Morris County Hospital Board. He was elected to the Frontier Farm Credit Board in 2006; his current term ends March 31, 2022.

Lee Mueller / Hiawatha, Kansas
Mueller is president of Laus Creek Farm, Inc., and raises corn and soybeans. He serves on the Padonia Township Board and the Highland Community College Precision Ag Department Advisory Committee. Mueller was elected to the Frontier Farm Credit Board in 2015; his current term ends March 31, 2021.

Steve Powers / Chanute, Kansas
Powers owns and operates a farm and ranch that includes wheat, corn, soybeans, brood cows and stocker cattle. He serves on the Eastern Kansas Royalty Owners Association Board, Thayer Christian Church Board, Hidden Haven Christian Camp Board and Thayer Cemetery Board. Powers was elected to the Frontier Farm Credit Board in 2010; his current term ends March 31, 2019.

Shane Tiffany / Allen, Kansas
Tiffany is president of Tiffany Cattle Co., Inc., a custom cattle-feeding operation, Tiffany Holdings, L.L.C., an agriculture land holding company, and Tiffany Enterprises, L.L.C., a real estate investment company. He is vice president of Tiffany Family Farms, L.L.C., a farming operation raising primarily corn and wheat. He also has minority ownership in OWNX, L.L.C., a gold and silver investment company. Tiffany served as mayor of Alta Vista, Kansas, from 2014 to 2017 and was president of Alta Vista Grocers, Inc., a small-town grocery store, until 2017. He is an elder of High View Church and serves as a leader for the Flint Hills Men's Encounter. Tiffany was elected to the Frontier Farm Credit Board in 2017; his current term ends March 31, 2021.

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Frontier Farm Credit, ACA

Consolidated Five-Year Summary of Selected Financial Data

(Dollars in thousands)

	2018	2017	2016	2015	2014
Balance Sheet Data					
Loans	**$1,979,557**	$1,919,313	$1,898,181	$1,835,021	$1,705,111
Less allowance for loan losses	**8,800**	6,100	7,500	4,300	4,943
Net loans	**1,970,757**	1,913,213	1,890,681	1,830,721	1,700,168
Investment in CoBank, ACB	**64,015**	63,816	63,797	59,520	56,533
Investment in AgDirect, LLP	**4,201**	4,696	4,889	4,829	4,551
Cash	**–**	–	–	4,675	18,908
Other property owned	**279**	279	–	–	–
Other assets	**75,800**	72,880	64,455	50,172	51,452
Total assets	**$2,115,052**	$2,054,884	$2,023,822	$1,949,917	$1,831,612
Obligations with maturities of one year or less	**$ 26,990**	$ 24,032	$ 21,660	$ 89,595	$ 46,430
Obligations with maturities greater than one year	**1,636,637**	1,610,787	1,616,091	1,503,100	1,451,720
Total liabilities	**1,663,627**	1,634,819	1,637,751	1,592,695	1,498,150
At-risk capital stock	**8,258**	7,675	5,786	5,213	5,197
Accumulated other comprehensive loss	**(193)**	(246)	(298)	(119)	(151)
Retained earnings	**443,360**	412,636	380,583	352,128	328,416
Total members' equity	**451,425**	420,065	386,071	357,222	333,462
Total liabilities and members' equity	**$2,115,052**	$2,054,884	$2,023,822	$1,949,917	$1,831,612
Statement of Income Data					
Net interest income	**$53,975**	$52,249	$50,982	$45,717	$42,918
Provision for (reversal of) credit losses	**3,157**	466	3,481	(37)	86
Noninterest income	**15,336**	12,994	13,143	12,899	15,857
Noninterest expense	**19,773**	21,227	23,193	27,207	30,164
Provision for income taxes	**17**	–	–	237	69
Net income	**$46,364**	$43,550	$37,451	$31,209	$28,456
Comprehensive income	**$46,417**	$43,602	$37,272	$31,191	$28,409
Key Financial Ratios					
For the year					
Return on average assets	**2.28%**	2.18%	1.89%	1.67%	1.61%
Return on average total members' equity	**10.52%**	10.76%	10.03%	8.95%	8.68%
Net interest income as a percentage of average earning assets	**2.82%**	2.78%	2.72%	2.62%	2.60%
Net charge-offs (recoveries) as a percentage of average loans	**0.02%**	0.10%	0.02%	(0.01)%	0.01%
At year-end					
Members' equity as a percentage of total assets	**21.34%**	20.44%	19.08%	18.32%	18.21%
Allowance for loan losses as a percentage of total loans	**0.44%**	0.32%	0.40%	0.23%	0.29%
Capital ratios effective beginning January 1, 2017:					
Permanent capital ratio	**17.66%**	16.65%	N/A	N/A	N/A
Common equity Tier 1 ratio	**17.58%**	16.57%	N/A	N/A	N/A
Tier 1 capital ratio	**17.58%**	16.57%	N/A	N/A	N/A
Total capital ratio	**18.00%**	17.00%	N/A	N/A	N/A
Tier 1 leverage ratio	**19.23%**	17.97%	N/A	N/A	N/A
Capital ratios effective prior to January 1, 2017:					
Permanent capital ratio	**N/A**	N/A	15.94%	15.05%	14.83%
Total surplus ratio	**N/A**	N/A	15.68%	14.79%	14.56%
Core surplus ratio	**N/A**	N/A	15.68%	14.79%	14.56%
Other					
Cash patronage distribution payable to members	**$15,700**	$11,500	$9,000	$7,500	$7,000

Frontier Farm Credit, ACA

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following commentary reviews the consolidated financial condition and consolidated results of operations of Frontier Farm Credit, ACA and its subsidiaries, Frontier Farm Credit, FLCA and Frontier Farm Credit, 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 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, 2019, the Farm Credit System consisted of three Farm Credit Banks, one Agricultural Credit Bank and 69 customer-owned cooperative lending institutions (associations). The Farm Credit 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 Farm Credit System serves.

CoBank, ACB, a Farm Credit System bank, its affiliated associations and AgVantis are collectively referred to as the District. Frontier Farm Credit is one of the affiliated associations in the District.

The Farm Credit Administration is authorized by Congress to regulate the Farm Credit 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.

To request a free copy of our annual or quarterly reports, contact us at PO Box 2409, Omaha, NE 68103-2409, (800) 531-3905, via email to $sr@frontierfarmcredit.com or view them on our website, frontierfarmcredit.com. The annual report is available on our website 75 days after the end of the calendar year, and shareholders are provided a copy of the report 90 days after the end of the year. The quarterly reports are available on our website 40 days after the end of each calendar quarter.

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 that 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 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 United States government support of the agricultural industry and the Farm Credit System as a government-sponsored enterprise, as well as investor and rating agency actions relating to events involving the United States 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.

2018 Highlights

The year ended December 31, 2018, was another year of continuing to build Frontier Farm Credit's financial strength. A strong balance sheet and solid earnings provide a firm foundation for 2019. Highlights include:

- In December, the Board declared a cash-back dividend of 0.90 percent of a customer's eligible average daily loan balance for an approximate total of $15.7 million distribution under the 2018 patronage program.
- Loan volume increased 3.1 percent to nearly $2.0 billion.
- Total members' equity increased 7.5 percent to $451.4 million after recording a liability for the estimated $15.7 million cash-back dividend payment.
- Net income for the year was $46.4 million compared to $43.6 million for 2017, an increase of 6.5 percent.

Frontier Farm Credit, ACA

Management's Discussion and Analysis of Financial Condition and Results of Operations

Commodity Review and Outlook

Farm sector profits in the United States were down again in 2018, erasing a majority of 2017 gains. The 2017 improved earnings followed three consecutive years of declining net farm income for farmers and ranchers. Nationally, cash receipts are projected to increase modestly, with crop receipts growing by 1.5 percent, offsetting a 0.2 percent decline in livestock receipts. United States net farm income is forecast to decrease $9.1 billion to $66.3 billion.

Profits varied by commodity and location across Frontier Farm Credit's lending territory. Crop yields were highly variable due to drought conditions in some areas and timely moisture in others, as well as rains impeding harvest. The drought also led to poor pasture conditions, notably in the Manhattan market. Corn and wheat prices rose while soybean, cattle, hog and ethanol revenues were lower than 2017. Cash grain farmers continued to face challenging margins while the protein industries grew their already ample supply, resulting in greater reliance on exports. The midyear tariffs and subsequent reduction in export value negatively impacted profits, particularly to soybean and hog producers.

The average December monthly prices received by farmers and ranchers for the past five years are reflected in the table below:

	Averages for the Month of December:				
Commodity	**2018**	2017	2016	2015	2014
Corn	**$3.54**	$3.23	$3.33	$3.65	$3.79
Soybeans	**$8.57**	$9.30	$9.64	$8.76	$10.30
Wheat	**$5.28**	$4.51	$3.91	$4.75	$6.14
Beef cattle (all)	**$117.00**	$118.00	$111.00	$122.00	$164.00
Hogs (all)	**$43.40**	$48.60	$43.10	$42.80	$64.30

We monitor, compile and report real estate sales information for the 41 counties in our territory in eastern Kansas. We also monitor seven benchmark farms in eastern Kansas, which are updated each January and July.

For 2018, there was an overall increase of 2.8 percent in the benchmark values and an increase of 0.7 percent in the last six months of 2018. Farmland prices were relatively steady across the area compared to a year ago. The average quality of land sold also remained stable during this time and has not changed substantially over the past few years.

Crops: Corn producers again experienced tight but modestly improved margins as revenues were higher and total input costs were largely unchanged. Omaha cash corn prices rose in 2018, averaging $3.57 per bushel compared to $3.29 per bushel in 2017. Prices continued to stay in a relatively small trading range, peaking at $3.88 per bushel in May before falling to harvest lows near $3.02 per bushel in September. The corn price increased to $3.57 per bushel at year-end, up $0.29 per bushel versus a year earlier. Fertilizer and seed/chemical costs were lower in 2018, but the reduced cost was offset by higher diesel fuel, labor and interest costs.

The 2018 United States corn production is forecast at 14.4 billion bushels, roughly the same as a year ago, as increased yields offset 936,000 fewer harvested acres. United States year-end corn stocks are estimated at 12.1 billion bushels, with carryover forecast at 1.74 billion bushels reducing the stocks-to-use ratio to 11.5 percent. This is the lowest ratio in the past five years and has resulted in modestly improved prices. Record yields were again achieved at 176.4 bushels per acre, comparable to the record yield achieved in 2017. Kansas average yields fell 2 bushels per acre to 130 bushels per acre.

Soybean prices were materially impacted by record production and the tariffs, ending the year at $8.28 per bushel, down $0.73 per bushel from the end of 2017. This is nearly $1.00 per bushel below the average cost of production, although strong yields helped buffer the lower price for many area producers. United States 2018 soybean production set another new record at 4.6 billion bushels, up 4.3 percent from 2017. The increase was driven by record yields of 51.6 bushels per acre, up 2 bushels per acre from a year ago. The additional production plus reduced exports resulted in United States-stored soybeans growing to 3.8 million bushels with an estimated carryout of 910 million bushels, up strongly from a year ago. Kansas had record production, as yields were up 4.5 bushels per acre to 42 bushels per acre achieved in 2018.

United States wheat production was up 8.3 percent to 1.88 billion bushels based on an average yield of 47.6 bushels per acre, up from 46.3 bushels per acre a year ago. Ending stocks are projected to drop for the second consecutive year to 1.01 billion bushels compared to 1.18 billion bushels two years ago. Kansas winter wheat average yields declined 10 bushels per acre due to multiple weather issues to 38 bushels per acre following a 9-bushel-per-acre drop in 2017.

Beef: All sectors of the beef industry were profitable aside from cattle feeders, which were on average breakeven to modestly profitable in 2018. Despite roughly a 2.5 percent greater beef supply, continued export growth and stronger domestic demand curtailed the downward pressure on price. Exports grew another 11.0 percent in 2018 while imports declined slightly given increased domestic cow slaughter. While cow slaughter was up, it did not fully offset the impact of beef-heifer retention as the herd remains in an expansion phase. Export growth is again expected in 2019, however at a slower pace, as exports are now close to 22.0 percent of a fed animal's value. With a slightly larger 2019 fed cattle slaughter supply and no slaughter capacity added, leverage is anticipated to remain with the packing sector, leading to continued tight margins and a slightly lower average fed cattle price.

Beef cow herd profitability on average was down slightly from 2017; however, it remained positive at around $150 per head. The herd is in its fourth consecutive year of expansion growing just over 0.5 million head aided by adequate forage across the central United States and continued profitability. The herd is closing in on 32 million head and is at its largest level since 2009. Expansion is expected to continue, albeit at a slower pace, over the next couple of years barring changes in forage availability.

Pork: Swine producers lost $10 to $12 per head in 2018 as hog prices fell while input costs were modestly higher. The year started with counter-seasonal profits in the first quarter, but prices fell sharply midyear when tariffs were announced that limited trade to a growing industry with roughly 25.0 percent of production dependent on exports. Hog cash prices averaged $44.50 per cwt. for the year, down $5.50 per cwt. from 2017. Total pork production was up 2.3 percent, increasing for the fourth consecutive year with growth expected to continue in 2019. The year-end United States Department of Agriculture Quarterly Hogs and Pigs report reflected the breeding inventory at 6.33 million head, up 2.0 percent from a year ago; market hog inventory also was up 2.0 percent. While sow numbers grew, pigs saved per litter were only marginally higher at 10.76.

Continued supply growth and unresolved trade issues loom over the market as we enter 2019. New processing capacity is being added with a new plant and second shifting added to another plant. This will take pressure off supply; however, demand remains the big unknown. Internal demand has remained strong but did modestly decline in the second half of 2018 with potential vulnerability if the United States economy weakens. Export demand is even more uncertain as trade negotiations continue with several countries; most important to the swine industry is final resolution of trade agreements with China, Mexico and Canada. A bilateral agreement with Japan is important for hog producers as well as new agreements with other countries.

The emergence and continued spread of African Swine Fever in China (currently in 26 of 36 provinces) has raised the prospect of increased import needs for the largest swine economy by far in the world. The prospect of increasing exports helped push fourth-quarter hog prices higher and raised futures prices. At year end, United States hog futures markets signaled stronger prices for 2019 and offer positive crush margins for producers, although changes to supply/demand factors could quickly strengthen or depress markets.

Ethanol: Ethanol prices continued a downward trend during 2018. Reaching a high of $1.51 per gallon in April, prices fell to $1.17 per gallon by the end of the year, representing the lowest average price since 2003. The industry continued to produce an oversupply of ethanol due to low corn prices and stabilized energy prices, which were only slightly offset by increased export demand.

United States ethanol producers are anticipated to face similar challenges in 2019, with margins expected to remain compressed due to continued lower prices and high stock levels. Ethanol exports continue to be a vital component of the equation with a record 1.8 billion gallons exported in 2018, up 500 million from 2017. While domestic support for ethanol remains solid, the sustainability of key export markets through trade negotiation is key moving forward. While exports to China substantially declined in 2018 due to trade tensions, exports to Brazil and India more than compensated for the reduction.

During 2018, the Trump administration announced its support for a waiver to allow year-round sales of E15 (15 percent ethanol blend). If fully implemented, the waiver could provide for up to 7 billion gallons of additional domestic demand. The waiver is presently in the United States Environmental Protection Agency's hands with a final ruling anticipated by June 2019.

The Agriculture Improvement Act of 2018 (commonly known as the farm bill) was signed into law on December 20, 2018. This new farm bill will govern an array of federal farm and food programs, including commodity price support payments, farm credit, conservation programs, research, rural development, and foreign and domestic food programs, for five years through 2023. The new farm bill continues to provide support for crop insurance programs and commodity support programs, strengthen livestock disaster programs, and provide dairy producers with an updated voluntary margin protection program that will provide more flexibility to dairy operations.

Many provisions of the farm bill will require the United States Department of Agriculture to develop rules and procedures to fully implement these authorities. The timing for the issuance of those rules is uncertain and was impacted by the shutdown of portions of the federal government.

Frontier Farm Credit, ACA

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Loan Portfolio

Our loan volume experienced another year of growth and increased $60.2 million during 2018, an increase of 3.1 percent.

We have no single customer or group of related customers who comprise more than 10.0 percent of our volume or who would have a material effect if they no longer did business with us.

Counties with more than 5.0 percent of total loan volume include Douglas with 6.75 percent and Nemaha with 5.18 percent.

The following table summarizes risk asset and delinquency information (accrual loans include accrued interest receivable; amounts are in thousands):

	December 31,		
	2018	2017	2016
Risk loans:			
Nonaccrual	**$10,402**	$5,597	$10,666
Restructured	**369**	390	428
90 days past due still accruing interest	**–**	59	236
Total risk loans	**10,771**	6,046	11,330
Other property owned, net	**279**	279	–
Total risk assets	**$11,050**	$6,325	$11,330
Risk loans as a percentage of total loans	**0.54%**	0.31%	0.59%
Nonaccrual loans as a percentage of total loans	**0.52%**	0.29%	0.56%
Current nonaccrual loans as a percentage of total nonaccrual loans	**45.1%**	48.9%	68.8%
Total delinquencies as a percentage of total loans	**0.55%**	0.59%	0.38%

Total risk loans have increased since the end of 2017. The increase in nonaccrual loans is primarily due to accounts in the grain industry. There was a decrease in loans 90 days past due still accruing interest. It is our practice to transfer accruing loans that are past due 90 days or more into nonaccrual unless they are adequately secured and in the process of collection. Risk loans as a percentage of total loans remain at acceptable levels.

Our adversely classified assets increased during 2018, ending the year at 6.7 percent of the portfolio compared to 3.9 percent of the portfolio at December 31, 2017. Adversely classified assets are assets 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.

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, probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Comparative allowance coverage of various loan categories follows:

	December 31,		
	2018	2017	2016
Allowance as a percentage of:			
Total loans	**0.44%**	0.32%	0.40%
Nonaccrual loans	**84.60%**	108.99%	70.32%
Total risk loans	**81.70%**	100.89%	66.20%
Net charge-offs as a percentage of average loans	**0.02%**	0.10%	0.02%
Adverse assets to risk funds*	**34.43%**	21.20%	19.22%

**Risk funds includes permanent capital and allowance for loan losses.*

In our opinion, the allowance for loan losses at December 31, 2018, is adequate to provide for probable and estimable losses in the loan portfolio.

Results of Operations

The following table provides profitability information:

	December 31,		
	2018	2017	2016
Net income (in thousands)	**$46,364**	$43,550	$37,451
Return on average assets	**2.28%**	2.18%	1.89%
Return on average members' equity	**10.52%**	10.76%	10.03%

Management's Discussion and Analysis of Financial Condition and Results of Operations

Changes to our return on average assets and return on average members' equity are related directly to the changes in income as described below, the changes in assets discussed in the "Loan Portfolio" section and the changes in members' equity discussed in the "Members' Equity" section.

Major components of the changes in net income for 2018, 2017 and 2016 are outlined in the following table (in thousands):

	December 31,		
	2018	2017	2016
Net income prior year	**$43,550**	$37,451	$31,209
Increase (decrease) in net income attributable to changes in:			
Net interest income	**1,726**	1,267	5,265
Provision for credit losses	**(2,691)**	3,015	(3,518)
Noninterest income	**2,342**	(149)	244
Noninterest expense	**1,454**	1,966	4,014
Provision for income taxes, net	**(17)**	–	237
Net income for the year	**$46,364**	$43,550	$37,451

The effects on net interest income from changes in average volumes and rates are presented in the following table (in thousands):

	2018 vs. 2017	2017 vs. 2016
Change in volume	**$1,325**	$ 267
Change in rates	**388**	682
Change in nonaccrual income	**13**	318
Net change	**$1,726**	$1,267

The average lending rate was 4.83 percent for 2018 compared to 4.46 percent for 2017. The average cost of debt was 2.51 percent for 2018 compared to 2.03 percent for 2017. The net interest margin was 2.82 percent in 2018 compared to 2.78 percent in 2017.

Net interest income included income on nonaccrual loans that totaled $538 thousand in 2018, $33 thousand in 2017 and $249 thousand in 2016. Nonaccrual income is recognized when:

- received in cash,
- collection of the recorded investment is fully expected, and
- prior charge-offs have been recovered.

We recorded a $3.2 million provision for credit losses for 2018 compared to a $0.5 million provision for credit losses for 2017. The provision for credit losses includes the provision for loan losses and the provision for unfunded lending commitments. Credit quality deterioration continued in 2018, primarily driven by the grain industry, leading to an increase in overall provision. Specific reserves in non-grain industries accounted for almost a third of the increase in the provision. The reserve for unfunded lending commitments balance at December 31, 2018, remained the same as compared to December 31, 2017. The reserve for unfunded lending commitments is based on our best estimate of losses inherent in lending commitments made to customers but not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement were utilized in determining this contingency.

We recorded net charge-offs of $0.5 million in 2018 (0.02 percent of average loans). We recorded net charge-offs of $2.0 million in 2017 (0.10 percent of average loans) and net charge-offs of $0.3 million in 2016 (0.02 percent of average loans).

The increase in noninterest income is primarily due to a refund from the Farm Credit System Insurance Corporation (FCSIC).

The decrease in noninterest expense is primarily due to the sharing of expenses with Farm Credit Services of America (FCSAmerica) as part of the strategic alliance.

Patronage Program

Our Board adopted a patronage program for eligible customers in 2018. The patronage program has been in place for more than a decade. The 2018 program is based on each customer's eligible average loans outstanding during the year. The patronage program is a qualified (cash) distribution referred to as cash-back dividends. The Board declared a cash-back dividend of 0.90 percent of a customer's eligible average daily loan balance to be distributed no later than April 30, 2019. We recorded an estimated liability of $15.7 million in December 2018.

The 2017 and 2016 patronage programs were also based on each customer's eligible average loans outstanding during the year. The Board declared a cash-back dividend of $11.5 million at its December 2017 meeting and $9.0 million at its December 2016 meeting to be distributed no later than April 30 of the following respective years. We recorded a liability of $11.5 million in December 2017 and $9.0 million in December 2016.

Our Board has also adopted a patronage program for 2019. The 2019 patronage program will once again be based on each customer's average daily balance of eligible loans outstanding during 2019.

Frontier Farm Credit, ACA

Management's Discussion and Analysis of Financial Condition and Results of Operations

CoBank, ACB Patronage Income

We receive patronage from CoBank, ACB at the discretion of CoBank, ACB's Board of Directors. Patronage is paid in cash and stock.

We received patronage income based on the average balance of our note payable to CoBank, ACB. We recorded patronage income of $8.1 million in 2018, $7.1 million in 2017 and $7.1 million in 2016. Changes in our note payable to CoBank, ACB caused the variance in the patronage income amounts.

Funding and Liquidity

Our approach to sustaining sufficient liquidity to fund operations and meet current obligations is to maintain an adequate line of credit with CoBank, ACB. As of December 31, 2018, we had a $1.9 billion revolving line of credit with CoBank, ACB. We generally apply excess cash to this line of credit.

As described in Note 7 to the consolidated financial statements, "Notes Payable," this line of credit is governed by a General Financing Agreement and is collateralized by a pledge of substantially all of our assets and is also subject to regulatory borrowing limits. The line of credit will be renegotiated periodically. We expect this line of credit to be sufficient to fund our operations. The note payable related to this line of credit reprices monthly.

At December 31, 2018, the direct loan balance was $1.6 billion compared to $1.6 billion at the end of 2017 and $1.6 billion at the end of 2016.

The interest rate risk inherent in our loan portfolio is substantially mitigated through this funding relationship. CoBank, ACB manages interest rate risk through its direct loan pricing and asset/liability management processes. The direct loan pricing mechanism simulates matching the cost of underlying debt with substantially the same terms as the anticipated terms of our loans to customers. The primary risks we manage include pipeline risk and basis risk. Pipeline risk occurs when we commit a fixed interest rate to a customer in advance of the loan's closing date and is effectively mitigated through the use of rate-lock agreements. Basis risk occurs when the interest rate on a loan reprices according to one index, while the debt supporting that loan reprices according to another index.

We provide financing to eligible customers with various interest rate programs. New loans are priced with consideration given to the local competitive conditions, the cost of debt that will be incurred to fund the loan, the individual risk elements of the loan and profit objectives. Interest on real estate loans is generally paid in full annually, while interest on agricultural production loans is generally paid in full at the annual renewal date of the loan.

We offer variable-rate loan products that include variable-rate loans repriced at our discretion, as dictated by market conditions, and market-indexed variable-rate loans that provide customers with the option of indexing their interest rate to external market indices such as LIBOR or the prime rate.

We also offer fixed-rate operating loans for up to 14.99 months, fixed-rate installment loans for up to 10 years and fixed-rate mortgage loans in yearly increments from 5-35 years.

In addition, we offer real estate adjustable-rate loans that are indexed to one-, three- or five-year United States Department of the Treasury rates. The loans reprice at one-, three- or five-year intervals at a rate equal to the corresponding United States Department of the Treasury rate plus a contractual spread. The one-, three- or five-year adjustable-rate loans are generally subject to periodic caps ranging from 2.0-2.50 percent with a 6.0 percent life cap. The cost of debt supporting these loans is capped accordingly.

We also offer a prepayment-restricted loan product. This is a fixed-rate product with a prepayment penalty provision if prepayments are made during the initial three, five or seven years of the loan term. For agreeing to restricted prepayments, the customer receives a reduced interest rate that remains in effect for the entire loan term.

A breakdown of the loan portfolio by rate type, as a percentage of total volume at December 31, is shown in the following table:

	December 31,		
	2018	2017	2016
Variable rate	**41.0%**	41.8%	41.6%
Fixed rate	**58.5**	57.6	57.6
Adjustable rate	**0.5**	0.6	0.8
	100.0%	100.0%	100.0%

Our other source of lendable funds is unallocated surplus.

Members' Equity

Our equity structure is described in Note 8 to the consolidated financial statements, "Members' Equity."

Members' equity increased to $451.4 million at December 31, 2018, compared to $420.1 million at December 31, 2017. The increase in 2018 was due to net income recorded in 2018, the net capital stock issued and the change in other comprehensive loss partially offset by patronage payable.

Members' equity as a percentage of total assets increased to 21.34 percent at December 31, 2018, compared to 20.44 percent at December 31, 2017. The increase in the members' equity-to-assets ratio was due to the growth rate of members' equity exceeding the growth rate of assets. The increase in members' equity is described in the previous paragraph. The increase in assets is primarily due to the increase in loan volume described in the "Loan Portfolio" section.

Effective January 1, 2017, the Farm Credit Administration regulations require us to maintain minimums for our common equity Tier 1, Tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the Farm Credit Administration requires us to maintain minimums for our non-risk-adjusted ratios of Tier 1 leverage and unallocated retained earnings and equivalents (UREE) leverage.

	As of December 31,		Regulatory Minimums	Capital Conservation Buffers	Total
	2018	2017			
Risk-adjusted ratios:					
Common equity Tier 1	**17.58%**	16.57%	**4.5%**	**2.5%***	**7.0%**
Tier 1 capital	**17.58%**	16.57%	**6.0%**	**2.5%***	**8.5%**
Total capital	**18.00%**	17.00%	**8.0%**	**2.5%***	**10.5%**
Permanent capital	**17.66%**	16.65%	**7.0%**	**– %**	**7.0%**
Non-risk-adjusted ratios:					
Tier 1 leverage	**19.23%**	17.97%	**4.0%**	**1.0%**	**5.0%**
UREE leverage	**20.88%**	19.71%	**1.5%**	**– %**	**1.5%**

**The 2.5 percent capital conservation buffers over risk-adjusted ratio minimums will be phased in over three years under the Farm Credit Administration capital requirements.*

Relationship with CoBank, ACB

We borrow from CoBank, ACB to fund our lending operations in accordance with the Farm Credit Act of 1971, as amended. Approval from CoBank, ACB is required for us to borrow elsewhere. A General Financing Agreement, as discussed in Note 7 to the consolidated financial statements, "Notes Payable," governs this lending relationship. The interest rate may be periodically adjusted by CoBank, ACB based on the terms and conditions of the General Financing Agreement.

We are required to own stock in CoBank, ACB to capitalize our notes payable balance and participation loans sold to CoBank, ACB. The current requirement for capitalizing the notes payable to CoBank, ACB is 4.0 percent of our prior year average notes payable balance. The 2018 requirement for capitalizing patronage-based participation loans sold to CoBank, ACB is 8.0 percent of our prior 10-year average balance of participations sold to CoBank, ACB. Under the current CoBank, ACB capital plan applicable to participations sold, patronage from CoBank, ACB related to these participations sold is paid 75.0 percent cash and 25.0 percent Class A stock. The capital plan is evaluated annually by CoBank, ACB's Board of Directors and management and is subject to change.

In August 2017, CoBank, ACB announced changes to its capital plans and patronage programs for eligible customer-owners designed to address a number of marketplace challenges. The changes are intended to strengthen CoBank, ACB's long-term capacity to serve customers' borrowing needs, enhance the bank's ability to capitalize future customer growth, and ensure equitability among different customer segments. The new target patronage levels took effect in the 2018 calendar year and will be reflected in patronage distributions made in March 2019. Affiliated associations will transition to their new target patronage levels over a multiyear period ending in 2020.

At December 31, 2018, our investment in CoBank, ACB is in the form of Class A stock with a par value of $100 per share.

CoBank, ACB may require the holders of its equities to subscribe for additional capital as may be needed to meet its capital requirements for its joint and several liability under the Farm Credit Act and regulations. In making such a capital call, CoBank, ACB shall take into account the financial condition of each such holder and such other considerations, as it deems appropriate.

We receive patronage income based on the annual average daily balance of our note payable to CoBank, ACB. CoBank, ACB's Board of Directors sets the patronage rates.

Due to the nature of our financial relationship with CoBank, ACB, the financial condition and results of operations of CoBank, ACB materially affect our stockholders' investment in Frontier Farm Credit. To request a free copy of the combined CoBank, ACB and affiliated associations' financial reports, contact us at PO Box 2409, Omaha, NE 68103-2409, (800) 531-3905 or via email to $sr@frontierfarmcredit.com. You may also obtain copies by accessing CoBank, ACB's website, cobank.com. Annual reports are available within 75 days after the end of the calendar year, and quarterly reports are available within 40 days after the end of each calendar quarter.

Frontier Farm Credit, ACA

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Relationship with Farm Credit Services of America

A strategic alliance between Frontier Farm Credit and FCSAmerica was implemented January 1, 2015. The alliance is designed to benefit the farmers and ranchers who own and support the two financial services cooperatives by ensuring that both Associations have the strength and capacity to serve agricultural customers' needs for years to come.

Frontier Farm Credit and FCSAmerica continue to exist as separate Associations while integrating their day-to-day business operations, technology systems and leadership teams. Each Association continues to have its own Board, with representatives participating in a coordinating committee to facilitate Board governance between the two organizations.

Under the alliance agreement, Frontier Farm Credit and FCSAmerica have agreed to share current-year income and expenses based on the average total assets of each entity for the prior calendar year. Due to the transition period required to fully implement the alliance, the agreement specifies generally that pretax net income will be shared on fixed percentages of 93.0 percent for FCSAmerica and 7.0 percent for Frontier Farm Credit for 2016, and 92.9 percent for FCSAmerica and 7.1 percent for Frontier Farm Credit for 2017. For the year ending December 31, 2018, pretax net income was shared on fixed percentages of 93.1 and 6.9 percent for FCSAmerica and Frontier Farm Credit respectively. For the year ending December 31, 2018, Frontier Farm Credit recorded $11.4 million of net operating expenses under the income- and expense-sharing provisions of the alliance agreement primarily due to the salary and related expenses incurred by FCSAmerica for former Frontier Farm Credit employees added to the FCSAmerica payroll. The net operating expenses recorded by Frontier Farm Credit were $12.1 million for the year ended December 31, 2017, and $16.2 million for the year ended December 31, 2016. The net operating expenses specifically attributable to salaries and employee benefits, and occupancy and equipment expense are recorded in their respective accounts on our Consolidated Statements of Comprehensive Income. The remainder of the allocation is a net recording to other operating expenses on our Consolidated Statements of Comprehensive Income. Depending on the activity in each Association, this allocation can result in the recording of an operating expense credit.

Frontier Farm Credit has $2.1 billion in assets and serves multiple counties in eastern Kansas. FCSAmerica has $29.8 billion in assets and serves the states of Iowa, Nebraska, South Dakota and Wyoming.

AgDirect, LLP

We participate in the AgDirect trade credit financing program, which includes origination and refinancing of agricultural equipment loans and leases through independent equipment dealers. The program is facilitated by FCSAmerica through a limited liability partnership (LLP) in which we are a partial owner. Our investment in AgDirect, LLP was $4.2 million at December 31, 2018, $4.7 million at December 31, 2017, and $4.9 million at December 31, 2016. The LLP is an unincorporated business entity.

Purchased Services

We purchase various services from AgriBank, FCB including SunStream Business Services, a division of AgriBank, FCB. The services include tax-reporting services.

Farm Credit Foundations

We purchase human resource information systems and benefit and payroll services from Farm Credit Foundations. The Farm Credit System entities using Farm Credit Foundations' services contributed an investment into the service corporation when it was formed as a separate service corporation. Our investment was $21 thousand at December 31, 2018, December 31, 2017, and December 31, 2016. The total cost of services purchased from Farm Credit Foundations was $74 thousand in 2018, $78 thousand in 2017 and $94 thousand in 2016.

Regulatory Matters

In May 2018, the Farm Credit Administration Board approved a final rule to revise the requirements governing the eligibility of investment securities for Farm Credit System banks and associations. The new regulation revises the eligibility purpose, type and amount of investments that a Farm Credit System association may hold. The regulation was effective January 1, 2019. We have updated our policies, procedures and other documentation to ensure compliance with the new regulation. We currently do not have investment securities on our Consolidated Balance Sheets.

Frontier Farm Credit, ACA

Report of Management

We prepare the consolidated financial statements of Frontier Farm Credit, ACA (Association) and are responsible for their integrity and objectivity, including amounts that must be necessarily 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.

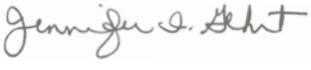
To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the consolidated financial statements. They also consider internal controls to the extent necessary to design audit procedures that comply with generally accepted auditing standards 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 consult regularly with us and meet 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 that we have reviewed the Association's annual report and it has been prepared in accordance with all applicable statutory or regulatory requirements, and the information contained herein is true, accurate and complete to the best of our knowledge and belief.

Mark Jensen
President and CEO
March 1, 2019

Craig P. Kinnison
Senior Vice President – CFO
March 1, 2019



Jennifer I. Gehrt
Chairperson, Board of Directors
March 1, 2019

Frontier Farm Credit, ACA

Report on Internal Control Over Financial Reporting

Frontier Farm Credit, ACA's (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 affected 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, 2018. 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, 2018, 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, 2018.

Mark Jensen
President and CEO
March 1, 2019

Craig P. Kinnison
Senior Vice President – CFO
March 1, 2019

Frontier Farm Credit, ACA

Report of Audit Committee

The consolidated financial statements of Frontier Farm Credit, ACA (Association) were prepared under the oversight of the Audit Committee. The Audit Committee is composed of six individuals from the Association Board of Directors. In 2018, the Audit Committee met eight times. The Audit Committee oversees the scope of the Association's internal audit program, the approval and independence of PricewaterhouseCoopers LLP (PwC) as our independent auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's action 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 its report based on its 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, 2018, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards AU-C260, "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, 2018.

Kathy Brick
Chair, Audit Committee
Frontier Farm Credit, ACA
March 1, 2019

Audit Committee Members:
Ronald Dunbar
Bill Miller
Lee Mueller
Steve Powers
Shane Tiffany

Report of Independent Auditors

To the Board of Directors of Frontier Farm Credit, ACA,

We have audited the accompanying consolidated financial statements of Frontier Farm Credit, ACA and its subsidiaries (the Association), which comprise the consolidated balance sheets as of December 31, 2018, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in members' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Frontier Farm Credit, ACA and its subsidiaries as of December 31, 2018, 2017 and 2016, 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 1, 2019

PricewaterhouseCoopers LLP, 45 South Seventh Street, Suite 3400, Minneapolis, MN 55402
T: (612) 596 6000, F: (612) 373 7160, www.pwc.com

Frontier Farm Credit, ACA

Consolidated Balance Sheets

(Dollars in thousands)

	December 31,		
	2018	2017	2016
Assets			
Loans	**$1,979,557**	$1,919,313	$1,898,181
Less allowance for loan losses	**8,800**	6,100	7,500
Net loans	**1,970,757**	1,913,213	1,890,681
Accrued interest receivable	**27,006**	26,337	23,936
Investment in CoBank, ACB	**64,015**	63,816	63,797
Investment in AgDirect, LLP	**4,201**	4,696	4,889
Premises and equipment, net	**20,902**	21,795	19,053
Other property owned, net	**279**	279	–
Prepaid benefit expense	**2,296**	1,367	593
Other assets	**25,596**	23,381	20,873
Total assets	**$2,115,052**	$2,054,884	$2,023,822
Liabilities			
Notes payable to CoBank, ACB	**$1,636,637**	$1,610,787	$1,616,091
Accrued interest payable	**3,784**	2,974	2,540
Patronage payable	**15,700**	11,500	9,000
Reserve for unfunded lending commitments	**700**	700	800
Accrued benefits liability	**538**	813	1,075
Other liabilities	**6,268**	8,045	8,245
Total liabilities	**1,663,627**	1,634,819	1,637,751
Commitments and contingencies (Note 12)			
Members' Equity			
At-risk capital:			
Class B common stock	**8,025**	7,454	5,662
Class C common stock	**233**	221	124
Accumulated other comprehensive loss	**(193)**	(246)	(298)
Retained earnings	**443,360**	412,636	380,583
Total members' equity	**451,425**	420,065	386,071
Total liabilities and members' equity	**$2,115,052**	$2,054,884	$2,023,822

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

Frontier Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(Dollars in thousands)

	Year Ended December 31,		
	2018	2017	2016
Net Interest Income			
Interest income	**$93,796**	$84,565	$79,491
Interest expense	**39,821**	32,316	28,509
Net interest income	**53,975**	52,249	50,982
Provision for (reversal of) credit losses	**3,157**	466	3,481
Net interest income after provision for credit losses	**50,818**	51,783	47,501
Noninterest Income			
Patronage income from CoBank, ACB	**8,106**	7,116	7,129
Loan fees	**1,451**	1,508	2,098
Insurance services	**2,526**	2,528	2,343
FCSIC insurance refund	**1,351**	–	–
Mineral income	**1,132**	1,014	992
Other noninterest income	**770**	828	581
Total noninterest income	**15,336**	12,994	13,143
Noninterest Expense			
Salaries and employee benefits	**17,305**	14,066	11,987
Occupancy and equipment expense	**2,076**	2,136	1,966
Insurance fund premiums	**1,359**	2,244	2,572
Other operating expenses	**(967)**	2,781	6,668
Total noninterest expense	**19,773**	21,227	23,193
Income before income taxes	**46,381**	43,550	37,451
Provision for income taxes	**17**	–	–
Net income	**$46,364**	$43,550	$37,451
Comprehensive Income			
Actuarial gain (loss) in retirement obligation	**5**	(3)	(195)
Amortization of retirement costs	**48**	55	16
Total comprehensive income	**$46,417**	$43,602	$37,272

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

Frontier Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(Dollars in thousands)

	Accumulated Other Comprehensive Income (Loss)	At-Risk Capital		Total Members' Equity
		Capital Stock	Retained Earnings	
Balance at December 31, 2015	$(119)	$5,213	$352,128	$357,222
Net income			37,451	37,451
Patronage declared			(9,000)	(9,000)
Patronage accrual adjustment			4	4
Change in other comprehensive loss	(179)			(179)
Capital stock:				
Issued		1,388		1,388
Retired		(815)		(815)
Balance at December 31, 2016	(298)	5,786	380,583	386,071
Net income			43,550	43,550
Patronage declared			(11,500)	(11,500)
Patronage accrual adjustment			3	3
Change in other comprehensive income	52			52
Capital stock:				
Issued		4,239		4,239
Retired		(2,350)		(2,350)
Balance at December 31, 2017	(246)	7,675	412,636	420,065
Net income			**46,364**	**46,364**
Patronage declared			**(15,700)**	**(15,700)**
Patronage accrual adjustment			**60**	**60**
Change in other comprehensive income	**53**			**53**
Capital stock:				
Issued		**1,871**		**1,871**
Retired		**(1,288)**		**(1,288)**
Balance at December 31, 2018	**$(193)**	**$8,258**	**$443,360**	**$451,425**

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

Frontier Farm Credit, ACA

Consolidated Statements of Cash Flows

(Dollars in thousands)

	Year Ended December 31,		
	2018	2017	2016
Cash Flows from Operating Activities:			
Net income	**$46,364**	$43,550	$37,451
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	**3,157**	466	3,481
Decrease in stock patronage received from CoBank, ACB	**–**	–	233
Loss on sales of premises and equipment	**–**	149	839
Depreciation on premises and equipment	**892**	884	886
Increase in accrued interest receivable	**(669)**	(2,401)	(2,543)
Increase (decrease) in accrued interest payable	**810**	434	(402)
Increase in prepaid benefit expense	**(929)**	(774)	(593)
Increase in other assets	**(2,215)**	(2,508)	(12,990)
Decrease in accrued benefits liability	**(222)**	(211)	(444)
Decrease in other liabilities	**(1,777)**	(200)	(68,768)
Total adjustments	**(953)**	(4,161)	(80,301)
Net cash provided by (used in) operating activities	**45,411**	39,389	(42,850)
Cash Flows from Investing Activities:			
Increase in loans, net	**(60,701)**	(23,377)	(63,441)
Increase in investment in CoBank, ACB	**(199)**	(19)	(4,510)
Decrease (increase) in investment in AgDirect, LLP	**495**	193	(60)
Purchases of premises and equipment, net	**–**	(4,230)	(1,633)
Proceeds from sales of premises and equipment	**1**	455	1,751
Net cash used in investing activities	**(60,404)**	(26,978)	(67,893)
Cash Flows from Financing Activities:			
Increase (decrease) in notes payable, net	**25,850**	(5,304)	112,991
At-risk capital stock issued	**1,871**	4,239	1,388
At-risk capital stock retired	**(1,288)**	(2,349)	(815)
Patronage paid in cash	**(11,440)**	(8,997)	(7,496)
Net cash provided by (used in) financing activities	**14,993**	(12,411)	106,068
Net (decrease) in cash	**–**	–	(4,675)
Cash at beginning of year	**–**	–	4,675
Cash at end of year	**$ –**	$ –	$ –
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Cash patronage distribution declared	**$15,700**	$11,500	$9,000
Loan amounts transferred to other property owned	**$ –**	$279	$ –
Change in accumulated other comprehensive income (loss)	**$53**	$52	$(179)
Supplemental Cash Flow Information:			
Interest paid on notes payable	**$33,063**	$26,802	$23,027
Income taxes paid (net of refunds)	**$(424)**	$211	$356

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

Note 1 – Organization and Operations

Farm Credit System and District

Farm Credit System Lending Institutions

The Farm Credit 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, 2019, the Farm Credit System consisted of three Farm Credit Banks, one Agricultural Credit Bank and 69 customer-owned cooperative lending institutions (associations). The Farm Credit System serves all 50 states, Washington, D.C., and Puerto Rico. This network of financial cooperatives is owned and operated by the rural customers the Farm Credit System serves – the American farmer and rancher.

CoBank, ACB, its related associations and AgVantis, Inc. (AgVantis) are collectively referred to as the District. CoBank, ACB provides the funding to associations within the District and is responsible for supervising certain activities of the District associations. AgVantis, which is owned by the entities it serves, provides technology and other operational services to certain associations and to CoBank, ACB. As of January 1, 2019, the CoBank District consisted of CoBank, ACB, 22 Agricultural Credit Associations (ACA), which each have two wholly owned subsidiaries, a Federal Land Credit Association (FLCA) and a Production Credit Association (PCA), and AgVantis.

Federal Land Credit Associations are authorized to originate long-term real estate mortgage loans. Production Credit Associations are authorized to originate short-term and intermediate-term loans. Agricultural Credit Associations 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, including mission-related investments.

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. Additionally, associations can participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a Farm Credit System lending institution but have operations that are functionally similar to the activities of eligible borrowers.

Farm Credit System Regulator

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

Farm Credit Insurance Fund

The Farm Credit Act established the Farm Credit System Insurance Corporation to administer the Farm Credit Insurance Fund. The Farm Credit 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 Farm Credit System Insurance Corporation, the Farm Credit Insurance Fund is also available to provide assistance to certain troubled Farm Credit System institutions and for the operating expenses of the Farm Credit System Insurance Corporation. Each Farm Credit System bank is required to pay premiums into the Farm Credit Insurance Fund until the assets in the Farm Credit Insurance Fund equal 2.0 percent 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 Farm Credit System Insurance Corporation, at its sole discretion, to a percentage it determines to be actuarially sound. The basis for assessing premiums is debt outstanding, with a surcharge assessed for nonaccrual loans and impaired investment securities, and deductions are made from the premium base for guaranteed loans and investment securities. CoBank, ACB, in turn, assesses premiums to its related associations each year based on similar factors.

Association

Frontier Farm Credit, ACA and its subsidiaries, Frontier Farm Credit, FLCA, and Frontier Farm Credit, PCA, collectively referred to as Frontier Farm Credit, are lending institutions of the Farm Credit System. We are a member-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in the counties of Allen, Anderson, Atchison, Bourbon, Brown, Chase, Chautauqua, Cherokee, Clay, Coffey, Crawford, Dickinson, Doniphan, Douglas, Elk, Franklin, Geary, Greenwood, Jackson, Jefferson, Johnson, Labette, Leavenworth, Linn, Lyon, Marion, Marshall, Miami, Montgomery, Morris, Nemaha, Neosho, Osage, Pottawatomie, Riley, Shawnee, Wabaunsee, Washington, Wilson, Woodson and Wyandotte in the state of Kansas. We borrow from CoBank, ACB 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 and rural home mortgage loans, and provides lease financing options in collaboration with Farm Credit Leasing Services and CoBank, ACB. The PCA makes short-term and intermediate-term loans for agricultural production or operating purposes, and provides lease financing options in collaboration with Farm Credit Leasing Services and CoBank, ACB. We offer risk management services, including crop insurance and crop-hail insurance, for borrowers and those eligible to borrow.

Frontier Farm Credit, ACA

Notes to Consolidated Financial Statements

Relationship with Farm Credit Services of America

A strategic alliance between Frontier Farm Credit and Farm Credit Services of America (FCSAmerica) was implemented January 1, 2015. The alliance is designed to benefit the farmers and ranchers who own and support the two financial services cooperatives by ensuring that both Associations have the strength and capacity to serve agricultural customers' needs for years to come.

Frontier Farm Credit and FCSAmerica continue to exist as separate Associations while integrating their day-to-day business operations, technology systems and leadership teams. Each Association continues to have its own Board, with representatives participating in a coordinating committee to facilitate Board governance between the two organizations.

Under the alliance agreement, Frontier Farm Credit and FCSAmerica agreed to share current-year income and expenses based on the average total assets of each entity for the prior calendar year. Due to the transition period required to fully implement the alliance, the agreement specifies generally that pretax net income would be shared on fixed percentages of 93.0 percent for FCSAmerica and 7.0 percent for Frontier Farm Credit for 2016, and 92.9 percent for FCSAmerica and 7.1 percent for Frontier Farm Credit for 2017. For the year ending December 31, 2018, pretax net income was shared on fixed percentages of 93.1 and 6.9 percent for FCSAmerica and Frontier Farm Credit respectively. For the year ending December 31, 2018, Frontier Farm Credit recorded $11.4 million of net operating expenses under the income- and expense-sharing provisions of the alliance agreement primarily due to the salary and related expenses incurred by FCSAmerica for former Frontier Farm Credit employees added to the FCSAmerica payroll. The net operating expenses recorded by Frontier Farm Credit were $12.1 million for the year ended December 31, 2017, and $16.2 million for the year ended December 31, 2016. The net operating expenses specifically attributable to salaries and employee benefits, and occupancy and equipment expense are recorded in their respective accounts on our Consolidated Statements of Comprehensive Income. The remainder of the allocation is a net recording to other operating expenses on our Consolidated Statements of Comprehensive Income. Depending on the activity in each Association, this allocation can result in the recording of an operating expense credit.

Frontier Farm Credit has $2.1 billion in assets and serves multiple counties in eastern Kansas. FCSAmerica has $29.8 billion in assets and serves the states of Iowa, Nebraska, South Dakota and Wyoming.

Note 2 – Summary of Significant Accounting Policies

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America and prevailing practices within the financial services industry.

Preparing financial statements in conformity with accounting principles generally accepted in the United States of America 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. The consolidated financial statements present the consolidated financial results of Frontier Farm Credit, ACA (the parent), and Frontier Farm Credit, FLCA and Frontier Farm Credit, PCA (the subsidiaries), collectively referred to as Frontier Farm Credit. All material intercompany transactions and balances have been eliminated in consolidation.

The following are our significant accounting policies:

Loans

Mortgage loan terms range from 5-35 years at origination. Almost all commercial loans are made for agricultural production or operating purposes with original terms of 10 years or less.

Loans are carried at their principal amount outstanding net of any unearned income, cumulative charge-offs and unamortized premiums or discounts on purchased loans. Loan interest is accrued and credited to interest income based on the daily principal amount outstanding.

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 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. 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. 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, 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 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 troubled debt restructurings are considered risk loans.

Loans are charged off at the time they are determined to be uncollectible.

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 and Reserve for Unfunded Lending Commitments

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,
- changes in credit risk classifications,
- changes in collateral values,
- changes in risk concentrations, and
- changes in economic and environmental conditions.

Loans in our portfolio that are considered impaired are analyzed individually to establish a specific allowance for impaired loans or are analyzed on a pool basis if they have similar risk characteristics. A loan is impaired when it is probable that all amounts due under the contractual terms of the loan agreement will not be collected. We measure impairment based on the net realizable value of the collateral. All risk loans are considered to be impaired loans. Risk loans include:

- nonaccrual loans,
- formally restructured loans, and
- loans that are 90 days or more past due and still accruing interest.

We record a specific allowance to reduce the carrying amount of the risk loan to the lower of book value or the net realizable value of collateral. When collection is unlikely, 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.

Changes in the allowance for loan losses consist of provision activity, recorded as "Provision for (reversal of) credit losses" on the Consolidated Statements of Comprehensive Income, and charge-offs and recoveries.

The reserve for unfunded lending commitments is based on our best estimate of losses inherent in lending commitments made to customers but not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement were utilized in determining this contingency. Changes in the reserve for unfunded commitments consist of provision activity, recorded as "Provision for (reversal of) credit losses" on the Consolidated Statements of Comprehensive Income.

Investment in CoBank, ACB

Accounting for our investment in CoBank, ACB is on a cost plus allocated equities basis.

Investment in AgDirect, LLP

Accounting for the investment in AgDirect, LLP is on a cost basis.

Other Property Owned

We record other property owned, consisting of real and personal property acquired through a collection action, at fair value, less estimated selling costs at the time of acquisition. Revised estimates of the fair value, less estimated selling costs, are reported as adjustments to the carrying amount of the asset, provided that the adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations, carrying value adjustments and realized gains or losses on sales are recorded as "Loss (gain) on other property owned" on the Consolidated Statements of Comprehensive Income.

Premises and Equipment

The carrying amount of premises and equipment is at cost, less accumulated depreciation. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets, which are normally 5-40 years for building and improvements, and 3-10 years for furniture and equipment. Gains and losses on premises and equipment dispositions are reflected in current-year income. Maintenance and repairs are included in operating expense and improvements are capitalized.

Advance Conditional Payments

We are authorized under the Farm Credit Act to accept advance conditional payments from customers. We net the advance conditional payments against the customer's related loan balance to the extent the real estate customer's loan balance exceeds the advance payments. Under the strategic alliance with FCSAmerica,

Frontier Farm Credit, ACA

Notes to Consolidated Financial Statements

we adopted their advance conditional payment system and programs in October 2015. Real estate funds held balances under the program totaled $263 thousand at December 31, 2018, $27 thousand at December 31, 2017, and $869 thousand at December 31, 2016. The amount of commercial advance conditional payments accepted cannot exceed the commitment amount of the customer's note. We classify commercial advance conditional payments as "Other liabilities" on the Consolidated Balance Sheets because the limit on commercial advance conditional payments is based on note commitments. Commercial advance conditional payments under the program totaled $1.6 million at December 31, 2018, $1.3 million at December 31, 2017, and $2.5 million at December 31, 2016. We pay interest on advance conditional payments and they are not insured.

Employee Benefit Plans

Our employees participate in a defined contribution plan and/or pension plan. Benefit plans are described in Note 9, "Employee Benefit Plans." The costs of the defined contribution Plan are funded as accrued. Additionally, we provide a retiree health care benefit to retired employees who met specific age and service requirements.

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 as declared by the Board of Directors, normally in December of each year. We pay the accrued patronage during the first quarter of each subsequent year. Cash patronage distributions are referred to as cash-back dividends.

Statement of Cash Flows

For purposes of reporting cash flow, cash includes cash on hand and on deposit at commercial banks.

Other Comprehensive Income

Other comprehensive income refers to revenue, expenses, gains and losses that under generally accepted accounting principles are recorded as an element of shareholders' equity and comprehensive income but are excluded from net income. Accumulated other comprehensive income refers to the balance of these transactions. We record other comprehensive income associated with the liability under the Pension Restoration Plan.

Fair Value Measurement

The Financial Accounting Standards Board guidance on "Fair Value Measurements" describes three levels of inputs that may be used to measure fair value.

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

Level 2: Observable inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following:

- 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, and
- 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 our own 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.

We currently have no material financial statement items required to be accounted for within the consolidated financial statements at fair value.

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 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 business entities' effective date or align with other Farm Credit System institutions, whichever is earlier.

Standard and Effective Date	Description	Financial Statement Impact
In August 2018, the Financial Accounting Standards Board issued ASU 2018-15 "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is Considered a Service Contract." This guidance is effective for our first quarter 2020 and early adoption is permitted.	This guidance clarifies that implementation costs incurred in a hosting arrangement that is a service contract should be accounted for in the same manner as implementation costs incurred to develop or obtain internal-use software.	We are in the process of reviewing the accounting standard. Based on our preliminary review and analysis, this new guidance is not expected to have a material impact on our financial condition, results of operations, cash flows or financial statement disclosures.
In August 2018, the Financial Accounting Standards Board issued ASU 2018-14 "Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans." This guidance is effective for years ending after December 15, 2020. Early adoption is permitted.	The guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans.	The guidance is to be applied on a retrospective basis for all periods. We are in the process of reviewing the accounting standard. Based on our preliminary review and analysis, this new guidance will not impact our financial condition, results of operations or cash flows but may impact the employee benefit plan disclosures.
In August 2018, the Financial Accounting Standards Board issued ASU 2018-13 "Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement." This guidance is effective for interim and annual periods beginning December 15, 2019. Early adoption is permitted. An entity is permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date.	The guidance modifies the requirements on fair value measurements by removing, modifying or adding to the disclosures.	We early adopted the removal and modified disclosures during the fourth quarter of 2018. The adoption of this guidance did not have an impact on our financial condition, results of operations or cash flows but did impact our fair value measurement disclosures.
In March 2017, the Financial Accounting Standards Board issued ASU 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost." This guidance was effective for public business entities on January 1, 2018.	The 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 nonoperating 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 this guidance did not have a material impact on our financial condition, results of operations, cash flows or financial statement disclosures.

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Standard and Effective Date	Description	Financial Statement Impact
In June 2016, the Financial Accounting Standards Board issued ASU 2016-13 "Financial Instruments – Credit Losses." This guidance is effective for public business entities for non-United States 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 in the process of reviewing the standard. Significant implementation matters yet to be addressed include system selection, drafting of accounting policies and disclosures, and designing processes and controls. We are currently unable to estimate the impact on the financial statements.
In February 2016, the Financial Accounting Standards Board issued ASU 2016-02 "Leases." In July 2018, the Financial Accounting Standards Board issued ASU 2018-11 "Leases (Topic 842): Targeted Improvements." This guidance is effective for public business 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. The guidance includes an optional transition method where an entity is permitted to apply the guidance as of the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings.	We adopted this guidance on January 1, 2019. The adoption of this guidance did not have a material impact on our financial condition, results of operations or financial statement disclosures, and had no impact on cash flows.
In January 2016, the Financial Accounting Standards Board 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 our fair value disclosures.
In May 2014, the Financial Accounting Standards Board issued ASU 2014-09 "Revenue from Contracts with Customers." This guidance was effective for public business 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 promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the Financial Accounting Standards Board 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. Since 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 our financial condition, results of operations, equity or cash flows.

Note 3 – Loans and Allowance for Loan Losses

Loans, including participations purchased and nonaccruals, consisted of the following (in thousands):

	December 31,					
	2018		2017		2016	
	Amount	**Percentage**	Amount	Percentage	Amount	Percentage
Long-term agricultural mortgage	**$1,100,562**	**55.6%**	$1,075,693	56.0%	$1,079,520	57.0%
Production and intermediate term	**536,273**	**27.0**	510,759	26.6	482,929	25.4
Agribusiness	**204,286**	**10.3**	206,740	10.8	217,413	11.4
Rural residential real estate	**92,346**	**4.7**	83,653	4.4	78,356	4.1
Rural infrastructure	**36,640**	**1.9**	33,018	1.7	30,513	1.6
Agricultural export finance	**9,450**	**0.5**	9,450	0.5	9,450	0.5
Total loans	**$1,979,557**	**100.0%**	$1,919,313	100.0%	$1,898,181	100.0%

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We may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume or comply with the limitations of the Farm Credit Administration regulations or the General Financing Agreement with CoBank, ACB. The following table presents information regarding participations purchased and sold (participations purchased do not include syndications; amounts are in thousands):

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations		Participations		Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
As of December 31, 2018						
Long-term agricultural mortgage	**$ 58,620**	**$ 28,183**	**$ –**	**$ –**	**$ 58,620**	**$ 28,183**
Production and intermediate term	**186,880**	**57,031**	**2,373**	**–**	**189,253**	**57,031**
Agribusiness	**212,107**	**28,564**	**17,019**	**–**	**229,126**	**28,564**
Rural infrastructure	**36,599**	**–**	**–**	**–**	**36,599**	**–**
Agricultural export finance	**9,450**	**–**	**–**	**–**	**9,450**	**–**
Total	**$503,656**	**$113,778**	**$19,392**	**$ –**	**$523,048**	**$113,778**
As of December 31, 2017						
Long-term agricultural mortgage	$ 52,712	$13,961	$ –	$ –	$ 52,712	$13,961
Production and intermediate term	149,122	49,359	1,062	–	150,184	49,359
Agribusiness	206,511	23,083	12,752	–	219,263	23,083
Rural infrastructure	33,018	–	–	–	33,018	–
Agricultural export finance	9,450	–	–	–	9,450	–
Total	$450,813	$86,403	$13,814	$ –	$464,627	$86,403
As of December 31, 2016						
Long-term agricultural mortgage	$ 51,959	$11,632	$ –	$ –	$ 51,959	$11,632
Production and intermediate term	82,124	18,145	–	–	82,124	18,145
Agribusiness	208,128	18,914	14,363	–	222,491	18,914
Rural infrastructure	41,010	10,497	–	–	41,010	10,497
Agricultural export finance	9,450	–	–	–	9,450	–
Total	$392,671	$59,188	$14,363	$ –	$407,034	$59,188

Participations purchased increased $48.6 million in 2018, while participations sold increased $27.4 million. The increases in both purchased and sold are due to activity in the long-term agricultural mortgage, production and intermediate term, and agribusiness portfolios.

We have concentrations with individual borrowers within various agricultural commodities. At December 31, 2018, loans outstanding plus commitments to our 10 largest borrowers, net of participations sold, totaled an amount equal to 29.2 percent of members' equity. No single borrower's loans outstanding plus commitments exceeds 5.0 percent of members' equity.

Our credit risk concentration in various agricultural commodities is shown in the following table. While the amounts represent our maximum potential credit risk related to recorded loan principal, a substantial portion of our lending activities is collateralized, which reduces our exposure to credit loss associated with lending activity. We include an estimate of our credit risk exposure in determining the allowance for loan losses. Agricultural concentrations were as follows:

	December 31,		
	2018	2017	2016
Grain	**36.1%**	37.3%	39.1%
Cow-calf	**16.3**	17.1	18.2
Beef feedlot	**9.6**	8.3	6.6
Landlords/investors	**9.0**	9.2	8.9
Swine	**3.5**	3.5	2.6
Dairy	**2.8**	2.2	1.7
Farm supply	**2.5**	2.0	1.5
Forest products	**1.8**	2.3	2.7
General livestock	**1.5**	1.4	1.6
Meat/proteins processing	**1.3**	1.5	1.6
Renewable fuels	**0.8**	0.6	0.4
Poultry	**0.5**	0.5	0.3
Other	**14.3**	14.1	15.1
Total	**100.0%**	100.0%	100.0%

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on our credit evaluation of the borrower. Collateral held varies by loan type, but typically includes agricultural real estate, equipment, crop inventory and livestock. Long-term real estate loans are secured by a first lien on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85.0 percent of the property's appraised value (97.0 percent if guaranteed by a government agency). However, internal lending procedures require a more conservative loan-to-value ratio, which results in an average loan-to-value ratio in the real estate portfolio of less than 60.0 percent of current market values.

Risk loans (accruing loans include accrued interest receivable) are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. The following table presents information concerning the recorded investment in risk loans (in thousands):

	December 31,		
	2018	2017	2016
Nonaccrual loans:			
Current as to principal and interest	**$ 4,696**	$2,738	$ 7,333
Past due	**5,706**	2,859	3,333
Total nonaccrual loans	**10,402**	5,597	10,666
Impaired accrual loans:			
Restructured	**369**	390	428
90 days or more past due	**–**	59	236
Total risk loans	**$10,771**	$6,046	$11,330

Total risk loans have increased since the end of 2017. The increase in nonaccrual loans is primarily due to accounts in the grain industry. There was also a decrease in loans 90 days or more past due still accruing interest. It is our practice to transfer accruing loans that are past due 90 days or more into nonaccrual unless they are adequately secured and in the process of collection. Based on our analysis, risk loans as a percentage of total loans remain at acceptable levels.

At December 31, 2018, there were $360 thousand in commitments to lend additional funds to customers whose loans were at risk.

Interest income is recognized and cash payments are applied on nonaccrual loans as described in Note 2, "Summary of Significant Accounting Policies." The following table sets forth interest income recognized on risk loans (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Interest income recognized on nonaccrual loans	**$538**	$33	$249
Interest income on risk accrual loans	**94**	19	43
Interest income recognized on risk loans	**$632**	$52	$292

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Risk assets by loan type are as follows (accruing volume includes accrued interest receivable; amounts are in thousands):

	December 31,		
	2018	2017	2016
Nonaccrual loans:			
Long-term agricultural mortgage	**$ 5,884**	$4,210	$ 5,445
Production and intermediate term	**2,010**	1,114	4,923
Agribusiness	**2,461**	24	–
Rural residential real estate	**47**	249	298
Total nonaccrual loans	**$10,402**	$5,597	$10,666
Accruing restructured loans:			
Long-term agricultural mortgage	**$ 87**	$104	$137
Rural residential real estate	**282**	286	291
Total accruing restructured loans	**$369**	$390	$428
Accruing loans 90 days or more past due:			
Production and intermediate term	**$ –**	$59	$236
Total accruing loans 90 days or more past due	**$ –**	$59	$236
Total risk loans	**10,771**	6,046	11,330
Other property owned	**279**	279	–
Total risk assets	**$11,050**	$6,325	$11,330

All risk loans are considered to be impaired loans. The following table provides additional impaired loan information (in thousands):

	As of December 31, 2018			For the Period Ended December 31, 2018	
	Recorded Investment [1]	Unpaid Principal Balance [2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Production and intermediate term	$ 145	$ 141	$ 135	$291	$ (7)
Agribusiness	1,592	1,591	985	662	(9)
Total	$1,737	$1,732	$1,120	$953	$(16)
Impaired loans with no related allowance for loan losses:					
Long-term agricultural mortgage	$5,971	$ 6,659	$ –	$5,890	$207
Production and intermediate term	1,865	4,506	–	1,639	318
Agribusiness	869	1,844	–	539	–
Rural residential real estate	329	332	–	322	123
Total	$9,034	$13,341	$ –	$8,390	$648
Total impaired loans:					
Long-term agricultural mortgage	$ 5,971	$ 6,659	$ –	$5,890	$207
Production and intermediate term	2,010	4,647	135	1,930	311
Agribusiness	2,461	3,435	985	1,201	(9)
Rural residential real estate	329	332	–	322	123
Total	$10,771	$15,073	$1,120	$9,343	$632

[1] The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges or acquisition costs, and may also reflect a previous write-down of the investment.
[2] Unpaid principal balance represents the contractual principal balance of the loan.

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	As of December 31, 2017			For the Period Ended December 31, 2017	
	Recorded Investment [1]	Unpaid Principal Balance [2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Production and intermediate term	$527	$794	$106	$797	$21
Total	$527	$794	$106	$797	$21
Impaired loans with no related allowance for loan losses:					
Long-term agricultural mortgage	$4,313	$5,006	$ –	$5,166	$248
Production and intermediate term	647	3,522	–	3,733	179
Agribusiness	25	37	–	12	–
Rural residential real estate	534	603	–	541	15
Total	$5,519	$9,168	$ –	$9,452	$442
Total impaired loans:					
Long-term agricultural mortgage	$4,313	$5,006	$ –	$ 5,166	$248
Production and intermediate term	1,174	4,316	106	4,530	200
Agribusiness	25	37	–	12	–
Rural residential real estate	534	603	–	541	15
Total	$6,046	$9,962	$106	$10,249	$463

[1] The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges or acquisition costs, and may also reflect a previous write-down of the investment.

[2] Unpaid principal balance represents the contractual principal balance of the loan.

	As of December 31, 2016			For the Period Ended December 31, 2016	
	Recorded Investment [1]	Unpaid Principal Balance [2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Production and intermediate term	$3,326	$3,380	$1,906	$2,042	$ –
Total	$3,326	$3,380	$1,906	$2,042	$ –
Impaired loans with no related allowance for loan losses:					
Long-term agricultural mortgage	$5,588	$ 6,240	$ –	$5,758	$178
Production and intermediate term	1,826	4,121	–	1,124	98
Rural residential real estate	590	705	–	644	16
Total	$8,004	$11,066	$ –	$7,526	$292
Total impaired loans:					
Long-term agricultural mortgage	$ 5,588	$ 6,240	$ –	$5,758	$178
Production and intermediate term	5,152	7,501	1,906	3,166	98
Rural residential real estate	590	705	–	644	16
Total	$11,330	$14,446	$1,906	$9,568	$292

[1] The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges or acquisition costs, and may also reflect a previous write-down of the investment.
[2] Unpaid principal balance represents the contractual principal balance of the loan.

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The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Classification System as a percentage of total loans and related accrued interest receivable by loan type (in thousands):

	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	%	Amount	%	Amount	%	Amount
As of December 31, 2018							
Long-term agricultural mortgage	**$1,005,589**	**89.96%**	**$38,099**	**3.41%**	**$ 74,054**	**6.63%**	**$1,117,742**
Production and intermediate term	**462,120**	**84.82%**	**29,200**	**5.36%**	**53,474**	**9.82%**	**544,794**
Agribusiness	**198,890**	**96.89%**	**2,052**	**1.00%**	**4,323**	**2.11%**	**205,265**
Rural residential real estate	**89,218**	**96.35%**	**1,374**	**1.48%**	**2,008**	**2.17%**	**92,600**
Rural infrastructure	**34,210**	**93.24%**	**2,481**	**6.76%**	**–**	**–**	**36,691**
Agricultural export finance	**9,471**	**100.00%**	**–**	**–**	**–**	**–**	**9,471**
Total	**$1,799,498**	**89.68%**	**$73,206**	**3.65%**	**$133,859**	**6.67%**	**$2,006,563**
As of December 31, 2017							
Long-term agricultural mortgage	$ 988,618	90.49%	$60,240	5.51%	$43,662	4.00%	$1,092,520
Production and intermediate term	462,428	89.09%	28,303	5.45%	28,313	5.46%	519,044
Agribusiness	205,455	98.95%	251	0.12%	1,928	0.93%	207,634
Rural residential real estate	81,414	97.03%	1,160	1.38%	1,330	1.59%	83,904
Rural infrastructure	33,080	100.00%	–	–	–	–	33,080
Agricultural export finance	9,468	100.00%	–	–	–	–	9,468
Total	$1,780,463	91.51%	$89,954	4.62%	$75,233	3.87%	$1,945,650
As of December 31, 2016							
Long-term agricultural mortgage	$1,001,942	91.53%	$59,495	5.43%	$33,236	3.04%	$1,094,673
Production and intermediate term	425,719	86.76%	37,249	7.59%	27,740	5.65%	490,708
Agribusiness	216,413	99.20%	1,741	0.80%	–	–	218,154
Rural residential real estate	76,079	96.87%	797	1.01%	1,669	2.12%	78,545
Rural infrastructure	30,571	100.00%	–	–	–	–	30,571
Agricultural export finance	9,466	100.00%	–	–	–	–	9,466
Total	$1,760,190	91.58%	$99,282	5.16%	$62,645	3.26%	$1,922,117

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

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

We had no loans categorized as loss at December 31, 2018, 2017 or 2016.

The following table provides an aging analysis of past due loans by loan type (accruing volume includes accrued interest receivable; amounts are in thousands):

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
As of December 31, 2018						
Long-term agricultural mortgage	**$2,162**	**$3,636**	**$ 5,798**	**$1,111,944**	**$1,117,742**	**$ –**
Production and intermediate term	**2,878**	**1,512**	**4,390**	**540,404**	**544,794**	**–**
Agribusiness	**133**	**77**	**210**	**205,055**	**205,265**	**–**
Rural residential real estate	**529**	**46**	**575**	**92,025**	**92,600**	**–**
Rural infrastructure	**–**	**–**	**–**	**36,691**	**36,691**	**–**
Agricultural export finance	**–**	**–**	**–**	**9,471**	**9,471**	**–**
Total	**$5,702**	**$5,271**	**$10,973**	**$1,995,590**	**$2,006,563**	**$ –**
As of December 31, 2017						
Long-term agricultural mortgage	$3,962	$ 669	$ 4,631	$1,087,889	$1,092,520	$ –
Production and intermediate term	5,637	937	6,574	512,470	519,044	59
Agribusiness	–	–	–	207,633	207,633	–
Rural residential real estate	96	249	345	83,560	83,905	–
Rural infrastructure	–	–	–	33,080	33,080	–
Agricultural export finance	–	–	–	9,468	9,468	–
Total	$9,695	$1,855	$11,550	$1,934,100	$1,945,650	$59
As of December 31, 2016						
Long-term agricultural mortgage	$2,256	$ 67	$2,323	$1,092,350	$1,094,673	$ –
Production and intermediate term	2,322	2,452	4,774	485,934	490,708	236
Agribusiness	–	–	–	218,154	218,154	–
Rural residential real estate	41	131	172	78,373	78,545	–
Rural infrastructure	–	–	–	30,571	30,571	–
Agricultural export finance	–	–	–	9,466	9,466	–
Total	$4,619	$2,650	$7,269	$1,914,848	$1,922,117	$236

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A restructuring of a loan constitutes a troubled debt restructuring if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. Concessions vary by program and borrower, and may include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. As a restructured loan constitutes a troubled debt restructuring, these loans are included within our risk loans. All risk loans are analyzed within our allowance for loan losses.

The following table presents information regarding troubled debt restructurings that occurred during the year ended December 31 (in thousands):

	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
2018		
Production and intermediate term	**$ 891**	**$ 732**
Agribusiness	**2,534**	**2,538**
Total	**$3,425**	**$3,270**
2017		
Production and intermediate term	$ –	$ –
Agribusiness	–	–
Total	$ –	$ –
2016		
Production and intermediate term	$ –	$ –
Agribusiness	–	–
Total	$ –	$ –

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

The following table presents information regarding troubled debt restructurings that occurred within the previous 12 months and for which there was a subsequent payment default during the respective reporting period (in thousands):

	2018	2017	2016
Troubled debt restructurings that subsequently defaulted:			
Agribusiness	**$1,483**	$ –	$ –

Troubled debt restructurings outstanding at December 31, 2018, totaled $4.8 million, of which $4.4 million were in nonaccrual status, compared to $2.3 million at December 31, 2017, of which $1.9 million were in nonaccrual status, and $2.5 million at December 31, 2016, of which $2.1 million were in nonaccrual status. Additional commitments to lend to borrowers whose loans have been modified in a troubled debt restructuring were $0.4 million at December 31, 2018.

The "Provision for (reversal of) credit losses" on the Consolidated Statements of Comprehensive Income includes a provision for or reversal of loan losses and a provision for unfunded lending commitments.

A summary of changes in the allowance for loan losses and reserve for unfunded lending commitments follows (in thousands):

	December 31,		
Allowance for Loan Losses	**2018**	2017	2016
Balance at beginning of year	**$6,100**	$7,500	$4,300
Provision for loan losses	**3,157**	566	3,481
Loans charged off	**(1,048)**	(2,119)	(452)
Recoveries	**591**	153	171
Balance at end of year	**$8,800**	$6,100	$7,500

	December 31,		
Reserve for Unfunded Lending Commitments	**2018**	2017	2016
Balance at beginning of year	**$700**	$800	$800
(Reversal of) provision for unfunded lending commitments	**–**	(100)	–
Balance at end of year	**$700**	$700	$800

A summary of changes in the allowance for loan losses and period-end recorded investments in loans by loan type is as follows (in thousands):

	Balance at December 31, 2017	**Loan Recoveries**	**Loan Charge-Offs**	**Provision for (Reversal of) Loan Losses**	**Balance at December 31, 2018**
Long-term agricultural mortgage	$3,703	**$ 5**	**$ (16)**	**$1,116**	**$4,808**
Production and intermediate term	1,507	**794**	**(446)**	**182**	**2,037**
Agribusiness	614	**(226)**	**(573)**	**1,830**	**1,645**
Rural residential real estate	128	**18**	**(13)**	**39**	**172**
Rural infrastructure	137	**–**	**–**	**(6)**	**131**
Agricultural export finance	11	**–**	**–**	**(4)**	**7**
Total	$6,100	**$591**	**$(1,048)**	**$3,157**	**$8,800**

	Balance at December 31, 2016	Loan Recoveries	Loan Charge-Offs	Provision for (Reversal of) Loan Losses	Balance at December 31, 2017
Long-term agricultural mortgage	$3,386	$ 5	$ (24)	$336	$3,703
Production and intermediate term	3,343	148	(2,079)	95	1,507
Agribusiness	493	–	(11)	132	614
Rural residential real estate	136	–	(5)	(3)	128
Rural infrastructure	130	–	–	7	137
Agricultural export finance	12	–	–	(1)	11
Total	$7,500	$153	$(2,119)	$566	$6,100

	Balance at December 31, 2015	Loan Recoveries	Loan Charge-Offs	Provision for (Reversal of) Loan Losses	Balance at December 31, 2016
Long-term agricultural mortgage	$2,114	$ 5	$ (13)	$1,280	$3,386
Production and intermediate term	1,225	165	(438)	2,391	3,343
Agribusiness	506	–	–	(13)	493
Rural residential real estate	134	–	–	2	136
Rural infrastructure	305	–	–	(175)	130
Agricultural export finance	16	–	–	(4)	12
Total	$4,300	$170	$(451)	$3,481	$7,500

Frontier Farm Credit, ACA

Notes to Consolidated Financial Statements

	Allowance for Credit Losses Ending Balance at December 31, 2018		**Recorded Investments in Loans Outstanding Ending Balance at December 31, 2018**	
	Individually Evaluated for Impairment	**Collectively Evaluated for Impairment**	**Individually Evaluated for Impairment**	**Collectively Evaluated for Impairment**
Long-term agricultural mortgage	**$ –**	**$4,808**	**$ –**	**$1,117,742**
Production and intermediate term	**135**	**1,902**	**145**	**544,649**
Agribusiness	**985**	**660**	**1,592**	**203,673**
Rural residential real estate	**–**	**172**	**–**	**92,600**
Rural infrastructure	**–**	**131**	**–**	**36,691**
Agricultural export finance	**–**	**7**	**–**	**9,471**
Total	**$1,120**	**$7,680**	**$1,737**	**$2,004,826**

	Allowance for Credit Losses Ending Balance at December 31, 2017		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2017	
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Long-term agricultural mortgage	$ –	$3,703	$ –	$1,092,520
Production and intermediate term	106	1,401	527	518,517
Agribusiness	–	614	–	207,633
Rural residential real estate	–	128	–	83,905
Rural infrastructure	–	137	–	33,080
Agricultural export finance	–	11	–	9,468
Total	$106	$5,994	$527	$1,945,123

	Allowance for Credit Losses Ending Balance at December 31, 2016		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2016	
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Long-term agricultural mortgage	$ –	$3,386	$ –	$1,094,673
Production and intermediate term	1,906	1,437	3,326	487,382
Agribusiness	–	493	–	218,154
Rural residential real estate	–	136	–	78,545
Rural infrastructure	–	130	–	30,571
Agricultural export finance	–	12	–	9,466
Total	$1,906	$5,594	$3,326	$1,918,791

Our adversely classified assets increased during 2018, ending the year at 6.7 percent of the portfolio compared to 3.9 percent of the portfolio at December 31, 2017. Adversely classified assets are assets 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.

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, portfolio quality, and current economic and environmental conditions.

We recorded a $3.2 million provision for credit losses for 2018 compared to a $0.5 million provision for credit losses for 2017. The provision for credit losses includes the provision for loan losses and the provision for unfunded lending commitments. Credit quality deterioration continued in 2018, primarily driven by the grain industry, leading to an increase in overall provision. Specific reserves in nongrain industries accounted for almost a third of the increase in the provision. The reserve for unfunded lending commitments balance at December 31, 2018, remained the same as compared to December 31, 2017. The reserve for unfunded lending commitments is based on our best estimate of losses inherent in lending commitments made to customers but not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement were utilized in determining this contingency.

We recorded net charge-offs of $0.5 million in 2018 (0.02 percent of average loans). We recorded net charge-offs of $2.0 million in 2017 (0.10 percent of average loans) and net charge-offs of $0.3 million in 2016 (0.02 percent of average loans).

In 2016 we terminated our Standby Commitment to Purchase Agreements with the Federal Agricultural Mortgage Corporation. Termination fees were not material to the Consolidated Statements of Comprehensive Income.

Note 4 – Investment in CoBank, ACB

We are required to invest in the capital stock of CoBank, ACB as a condition for maintaining a readily available source of funds. The minimum required investment is 4.0 percent of our prior year's average direct loan volume. The investment in CoBank, ACB comprises patronage-based stock and purchased stock. The requirement for capitalizing our patronage-based participation loans sold to CoBank, ACB is 8.0 percent of our prior 10-year average of such participations sold to CoBank, ACB. Under the current CoBank, ACB capital plan applicable to such participations sold, patronage from CoBank, ACB related to these participations sold is paid 75.0 percent cash and 25.0 percent Class A stock. The capital plan is evaluated annually by CoBank ACB's Board of Directors and management, and is subject to change.

At December 31, 2018, our investment in CoBank, ACB is in the form of Class A stock with a par value of $100 per share.

CoBank, ACB may require the holders of its equities to subscribe for additional capital as may be needed to meet its capital requirements for its joint and several liability under the Farm Credit Act and regulations. In making such a capital call, CoBank, ACB shall take into account the financial condition of each such holder and such other considerations, as it deems appropriate.

Note 5 – Investment in AgDirect, LLP

We participate in the AgDirect trade credit financing program, which includes origination and refinancing of agricultural equipment loans and leases through independent equipment dealers. The program is facilitated by FCSAmerica through a limited liability partnership (LLP) in which we are a partial owner. Our investment in AgDirect, LLP was $4.2 million at December 31, 2018, $4.7 million at December 31, 2017, and $4.9 million at December 31, 2016. The LLP is an unincorporated business entity.

Note 6 – Premises and Equipment

Premises and equipment consisted of the following (in thousands):

	December 31,		
	2018	2017	2016
Land, buildings and improvements	**$24,703**	$24,703	$21,473
Furniture and equipment	**2,135**	2,198	2,348
	26,838	26,901	23,821
Less accumulated depreciation	**5,936**	5,106	4,768
Premises and equipment, net	**$20,902**	$21,795	$19,053

Frontier Farm Credit, ACA

Notes to Consolidated Financial Statements

Note 7 – Notes Payable

Our notes payable to CoBank, ACB represents borrowings to fund our loan portfolio. This notes payable is collateralized by a pledge of substantially all of our assets and is governed by a General Financing Agreement (GFA), which provides for a revolving line of credit of $1.9 billion effective June 1, 2018. The GFA and promissory note are subject to periodic renewals in the normal course of business. The GFA matures on May 31, 2019, and we expect renewal at that time. We were in compliance with the terms and conditions of the GFA as of December 31, 2018. Substantially all borrower loans are match-funded with CoBank, ACB. Payments and disbursements are made on the notes payable to CoBank, ACB on the same basis as we collect payments from and disburse on borrower loans. The interest rate may periodically be adjusted by CoBank, ACB based on the terms and conditions of the borrowing. The weighted average interest rate was 2.51 percent for the year ended December 31, 2018, compared to 2.03 percent for the year ended December 31, 2017, and 1.73 percent at December 31, 2016.

The consolidated notes payable balance is presented in the following table (in thousands):

	December 31,		
	2018	2017	2016
Notes payable to CoBank, ACB	**$1,636,637**	$1,610,787	$1,616,091

Under the Farm Credit Act, we are obligated to borrow only from CoBank, ACB unless CoBank, ACB approves borrowing from other funding sources. CoBank, ACB, consistent with Farm Credit Administration regulations, has established limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances, credit quality and financial condition. Additionally, we have requirements to maintain an effective program of internal controls over financial reporting. At December 31, 2018, we were within the specified limitations.

Note 8 – Members' Equity

A description of our capitalization requirements, regulatory capitalization requirements and restrictions, and equities follows.

Capital Stock and Participation Certificates

In accordance with the Farm Credit Act of 1971, as amended, each borrower is required to invest in us as a condition of obtaining a loan. Our capitalization bylaws require a customer to invest in capital stock equal to $1 thousand or 2.0 percent of the amount of the loan, whichever is less. Our Board of Directors may increase the amount of investment, if necessary, to meet capital needs. The Board of Directors approved a change to the member stock program effective October 10, 2016. Under the new program, the stock requirement for loan customers will generally be $1 thousand and stock is issued to each loan co-maker. Non-loan customers purchasing financially related services from the Association continue to purchase one $5 share of stock. All stock is funded with a non-interest-bearing obligation that will be due only in the unlikely event that the Association does not meet regulatory capital requirements. Loan co-makers who do not currently own stock will acquire stock when a new loan is originated or a loan servicing action takes place.

Stock for most loan customers was previously funded with loan proceeds. The conversion to the new stock program resulted in a transfer of $4.9 million from loans to the new non-interest-bearing obligation. The non-interest-bearing obligation is included in "Other assets" on the Consolidated Balance Sheets. Discontinuing the accrual of interest for acquisition of stock is not expected to have a material impact on the Consolidated Statements of Comprehensive Income for the Association.

We retain a first lien on the stock or participation certificates owned by customers. Retirement of equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding stock or participation certificates.

Each customer purchasing capital stock is entitled to one vote as a stockholder regardless of the number of shares held. The customer acquires ownership of the capital stock at the time the loan is made.

Regulatory Capitalization Requirements and Restrictions

Effective January 1, 2017, the regulatory capital requirements for Farm Credit System banks and associations were modified. These regulations replaced existing core surplus and total surplus ratios with common equity Tier 1, Tier 1 capital and total capital risk-based capital ratios. These 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.

	As of December 31,		Regulatory Minimums	Capital Conservation Buffers	Total
	2018	2017			
Risk-adjusted ratios:					
Common equity Tier 1	**17.58%**	16.57%	**4.5%**	**2.5%***	**7.0%**
Tier 1 capital	**17.58%**	16.57%	**6.0%**	**2.5%***	**8.5%**
Total capital	**18.00%**	17.00%	**8.0%**	**2.5%***	**10.5%**
Permanent capital	**17.66%**	16.65%	**7.0%**	**– %**	**7.0%**
Non-risk-adjusted ratios:					
Tier 1 leverage	**19.23%**	17.97%	**4.0%**	**1.0%**	**5.0%**
UREE leverage	**20.88%**	19.71%	**1.5%**	**– %**	**1.5%**

**The 2.5 percent capital conservation buffers over risk-adjusted ratio minimums will be phased in over three years under the Farm Credit Administration capital requirements.*

Risk-adjusted assets has been defined by the Farm Credit Administration 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 or more past due or in nonaccrual status.

Risk-adjusted assets is calculated differently for the permanent capital ratio 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 Farm Credit Administration regulations and are calculated as follows (not all items 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 noncumulative 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 permanent capital ratio 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 Farm Credit Administration approval.

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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 CoBank, ACB required investment was not included in the common equity Tier 1, Tier 1 capital or leverage ratios. We did not include our investment in CoBank, ACB as permanent capital at December 31, 2018.

Refer to Note 8, "Members' Equity," in our 2016 annual report for a more complete description of the ratios effective as of December 31, 2016. We were in compliance with the minimum required capital ratios as of December 31, 2016.

Description of Equities

The following table presents information regarding the classes and number of shares of stock outstanding as of December 31. All shares are at-risk and have a par or stated value of $5 per share.

	Shares Outstanding as of December 31,		
	2018	2017	2016
Class B common stock	**1,605,023**	1,490,916	1,132,309
Class C common stock	**46,524**	44,116	24,765

Our bylaws authorize us to issue an unlimited number of shares of Class B common stock and Class C common stock with a par or face value of $5 per share.

Class B common stock is voting and is issued solely to a farmer, rancher, or producer or harvester of aquatic products. Class C common stock has no voting rights and is issued to customers to capitalize rural home and farm-related business loans or to become eligible for financial services. Class B common stock and Class C common stock may be retired at the discretion of the Board of Directors, at book value not to exceed par, provided we meet minimum capital adequacy standards under Farm Credit Administration regulations.

Subject to our policies, Class B and Class C common stock are transferable to any person eligible to hold the respective class of stock. Class B common stock and Class C common stock cannot be transferred when we do not meet capital adequacy standards under Farm Credit Administration regulations.

At any time within two years after the loan of a customer is repaid in full, any voting stock held by the customer is converted to nonvoting stock. The nonvoting stock may be converted back to voting stock if the owner of the stock borrows additional funds.

As determined by the Board of Directors, we may declare dividends in stock, cash or any combination, provided we meet capital adequacy standards under Farm Credit Administration regulations and no stock is impaired. In the event we would liquidate or dissolve, any assets remaining after payment or retirement of all liabilities would be distributed to the holders of stock in the following order of priority:

- first, to the holders of common stock and participation certificates, equally and pro rata in proportion to the number of shares or units of common stock and participation certificates issued and outstanding, until an amount equal to the aggregate par value of all common stock and participation certificates has been distributed;
- second, to the holders of allocated surplus pro rata, on the basis of oldest allocations first, until an amount equal to the total account has been distributed; and
- third, any remaining assets would be distributed among current and former stockholders in the proportion which the aggregate patronage of each stockholder bears to the total patronage of all current and former stockholders, to the extent practicable and as determined by the Board unless otherwise provided by law.

Patronage Distributions

Subject to the Farm Credit Act and Farm Credit Administration regulations, and provided that at the time of declaration no class of stock is impaired, patronage distributions may be declared and paid in amounts determined by the Board of Directors. Patronage distributions may be paid in any class of stock that the recipient is eligible to hold, in allocated surplus, in cash, in qualified or nonqualified notices of allocation, or in any combination, and must be paid on an equitable and nondiscriminatory basis as determined by the Board of Directors.

The Board of Directors declared cash patronage distributions, referred to as cash-back dividends, of 0.90 percent of a customer's eligible average daily loan balance for an approximate total of $15.7 million distribution under the 2018 patronage program. The Board of Directors declared cash patronage distributions of $11.5 million in 2017 and $9.0 million in 2016.

We are prohibited from distributing earnings on a patronage basis to the extent they would reduce our permanent capital ratio below the Farm Credit Administration's minimum permanent capital adequacy requirements. We do not foresee any events that would result in this prohibition in 2019. Additionally, effective January 1, 2017, patronage distributions may be restricted or prohibited without prior Farm Credit Administration 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 2019.

Note 9 – Employee Benefit Plans

We participate in the benefits plans administered by Farm Credit Foundations, a service corporation for Farm Credit System entities. The Farm Credit Foundations Plan Sponsor and Trust Committees provide governance and oversight for the benefit plans. The governance committees are either elected or appointed representatives (senior leadership or Board of Director members) from the participating organizations. The Plan Sponsor Committee is responsible for decisions regarding benefits at the direction of the participating employers. The Trust Committee is responsible for fiduciary and plan administration functions. The Association has a senior officer who serves on each committee.

Under the alliance agreement described in Note 1, "Organization and Operations," the 2018 benefits expense of $50.7 million was shared between Frontier Farm Credit and FCSAmerica on a 6.9 percent and 93.1 percent basis respectively, which excluded any Frontier Farm Credit pension plan expense in excess of FCSAmerica's retirement programs. Additionally, Frontier Farm Credit's net pension plan expense was $1.1 million for 2018. The employee benefits expense is included in "Salaries and employee benefits" on the Consolidated Statements of Comprehensive Income.

Defined Contribution Plan

We participate in the Farm Credit Foundations Defined Contribution/401(k) Plan for benefits-eligible employees. The plan is a qualified plan up to the limits provided under the Internal Revenue Code.

For employees who do not participate in the Qualified Pension Plan, Frontier Farm Credit matches the employee's contributions dollar for dollar up to a maximum of 6.0 percent of the employee's compensation on both pretax and post-tax contributions. Additionally, Frontier Farm Credit contributes a fixed 3.0 percent of the employee's compensation to the plan. For employees who participate in the Qualified Pension Plan, Frontier Farm Credit matches the employee's contributions dollar for dollar up to 2.0 percent of the employee's compensation and 50.0 percent of the employee's contributions above 2.0 percent, and up to and including 6.0 percent of the employee's compensation, on both pretax and post-tax contributions.

Nonqualified Deferred Compensation Plan

The Farm Credit Foundations Nonqualified Deferred Compensation Plan serves two purposes. The plan provides for employer-matching or fixed contributions that exceed the Internal Revenue Code limits of the Defined Contribution Plan. Additionally, eligible employees may defer a portion of their base salary, variable pay and other compensation into this plan. Under the plan, eligible participants include the Chief Executive Officer and other employees who meet certain compensation thresholds as determined by the Internal Revenue Code.

Pre-409A Frozen Nonqualified Deferred Compensation Plan

We also participate in the Farm Credit Foundations Pre-409A Frozen Nonqualified Deferred Compensation Plan. This plan serves the same purposes as the Nonqualified Deferred Compensation Plan. However, the plan was frozen effective January 1, 2007. As such, no additional participants are eligible to enter the plan and no additional employer contributions are made to the plan.

Qualified Pension Plan

We participate in the Ninth Farm Credit District Pension Plan for certain eligible employees hired prior to January 1, 2007. The plan is a noncontributory, qualified defined benefit 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 (ERISA), as amended. 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. As a multiemployer plan, the assets, liabilities and costs of the plan are not segregated by participating employers. 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 Frontier Farm Credit chooses to stop participating in the plan, we may be required to pay an amount based on the underfunded status of the plan, referred to as a withdrawal liability. Because of the multiemployer nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee moves 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.

The plan reflects an unfunded liability totaling $69.5 million at December 31, 2018. The pension benefits funding status 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 projected benefit obligation and fair value of the multiemployer plan assets as of December 31 follows (in millions):

	2018	2017	2016
Projected benefit obligation	**$274.4**	$292.6	$270.6
Fair value of plan assets	**$204.9**	$208.0	$175.6

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The amount of the pension benefits 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 participating employer based on costs directly related to its current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. The Association recognizes its proportional share of expense and contributes a proportional share of funding. Costs and contributions for the multiemployer plan as of December 31 follow (in millions):

	2018	2017	2016
Total plan expenses for all participating employers	**$10.8**	$12.7	$11.3
Association's allocated share of plan expenses included in "Salaries and employee benefits"	**$1.1**	$1.4	$1.3
Total plan contributions for all participating employers	**$20.0**	$20.0	$20.4
Association's allocated share of plan contributions	**$2.0**	$2.1	$2.3

While the plan is a governmental plan and is not subject to minimum funding requirements, the participating 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 employer contributions expected to be paid into the pension plans during 2019 is $20.0 million. Frontier Farm Credit's allocated share of these pension contributions is expected to be $2.0 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 anticipated.

Nonqualified Pension Restoration Plan

We participate in the Ninth District Pension Restoration Plan that is a nonqualified, unfunded retirement plan. This plan provides retirement benefits above the Internal Revenue Code compensation limit to certain former highly compensated eligible employees. Benefits payable under this plan are offset by the benefits payable from the Qualified Pension Plan.

The plan reflects an unfunded liability totaling $265 thousand at December 31, 2018. The funding status reflects the net fair value of the plan assets and the projected benefit obligation at the date of these consolidated financial statements. The plan is not funded so the fair value of plan assets is zero.

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 data based on assumed future compensation levels. The projected benefit obligation of the plan was $265 thousand as of December 31, 2018, $520 thousand as of December 31, 2017, and $759 thousand at December 31, 2016.

The plan expenses included in "Salaries and employee benefits" was $64 thousand in 2018, $77 thousand in 2017 and $31 thousand in 2016. See the Consolidated Statements of Comprehensive Income and Changes in Members' Equity for the impact of net actuarial gains or losses. Assumptions utilized for the plan were consistent with the Qualified Pension Plan. Benefits payouts are expected to be $265 thousand in 2019 and then zero thereafter.

Retiree Health Care

We participate in the Farm Credit Foundations Retiree Medical Plan. The plan benefits are provided to retired employees who meet specific age and service requirements. Benefits provided are determined on a graduated scale based on years of service. The anticipated costs of these benefits were accrued during the period of the employee's active service. The related expense is not considered material to our financial position.

Note 10 – Income Taxes

The Tax Cuts and Jobs Act (the Act) was enacted in December 2017. This Act contained various tax law changes, including a federal statutory tax rate change to 21.0 percent from 35.0 percent, 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, were valued using a blended federal/state effective tax rate based on the new federal statutory tax rate. The effect of this revaluation was recognized in our provision for (benefit from) income taxes for the year ended December 31, 2017. Our effective tax rate was zero percent for the years ending 2018, 2017 and 2016.

Our provision for income taxes follows (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Current:			
Federal	**$ –**	$ –	$ –
State	**17**	–	–
Total current	**$ 17**	$ –	$ –
Deferred:			
Federal	**$(755)**	$549	$(735)
State	**(171)**	97	(172)
(Decrease) increase in valuation allowance	**926**	(646)	907
Total deferred	**–**	–	–
Total provision for income taxes	**$ 17**	$ –	$ –

The following table calculates the differences between the provision for income taxes and income taxes at the statutory rates (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Federal tax at statutory rate	**$9,740**	$14,840	$12,742
State tax, net	**(115)**	–	–
Tax effect of:			
Exempt FLCA earnings	**(8,737)**	(12,381)	(11,253)
Deferred tax valuation allowance	**625**	(646)	907
Patronage distribution	**(1,438)**	(1,978)	(2,349)
Tax rate change	**–**	133	–
Other	**(58)**	32	(47)
Provision for income taxes	**$ 17**	$ –	$ –

The following table provides the components of deferred tax assets and liabilities (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Allowance for loan losses	**$429**	$375	$1,321
Nonaccrual loan interest	**67**	89	127
CoBank, ACB patronage allocations	**–**	(466)	(722)
Prepaid pension expense	**425**	298	216
Net operating loss	**301**	–	–
Deferred tax asset	**1,222**	296	942
Deferred tax asset valuation allowance	**(1,222)**	(296)	(942)
Net deferred tax asset	**$ –**	$ –	$ –

The calculation of deferred tax assets and liabilities involves various management estimates and assumptions regarding future taxable earnings, including the amount of nonpatronage income and patronage income retained. The expected future tax rates are based on enacted tax laws.

Deferred tax assets were fully offset by a valuation allowance for all years presented. We will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

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, 2018. Additionally, we believe we are no longer subject to income tax examinations for years prior to 2015.

Note 11 – Related Party Transactions

In the ordinary course of business, we may enter into loan transactions with our directors, senior officers and other organizations with whom such persons may be associated. These loans are subject to special approval requirements contained in the Farm Credit Administration regulations and/or our policy, 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. 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 person may be associated. In our opinion, loans outstanding to directors and senior officers at December 31, 2018, did not involve more than a normal risk of collectability.

Loan information to related parties for the years ended December 31 is shown below (in thousands):

Related Party Loans [and Leases]	As of December 31,		
	2018	2017	2016
Total related party loans [and leases]	**$14,656**	$10,712	$8,553

Related Party Loans [and Leases]	For the year ended December 31,		
	2018	2017	2016
Advances to related parties	**$11,418**	$9,451	$10,515
Repayments by related parties	**$7,474**	$3,890	$7,458

We purchase human resource information systems and benefit and payroll services from Farm Credit Foundations. The Farm Credit System entities using Farm Credit Foundations' services contributed an investment into the service corporation when it was formed as a separate service corporation. Our investment was $21 thousand for all years presented. The total cost of services purchased from Farm Credit Foundations was $74 thousand in 2018, $78 thousand in 2017 and $94 thousand in 2016.

Frontier Farm Credit, ACA

Notes to Consolidated Financial Statements

Note 12 – Commitments and Contingencies

In the normal course of business, we have various outstanding commitments and contingent liabilities, such as commitments to extend credit, which are not reflected in the consolidated financial statements. Commitments to extend credit are agreements to lend to a customer as long as there is not a violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments may expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis using the same credit policies as for on-balance-sheet financial instruments. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on our credit evaluation of the counterparty. Collateral held upon exercise of commitments varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing property. We had remaining commitments for additional borrowing at December 31, 2018, of approximately $523 million, approximately $489 million at December 31, 2017, and $479 million at December 31, 2016.

We also participate in standby letters of credit to satisfy the financing needs of customers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2018, $4.4 million of standby letters of credit were outstanding, $4.2 million at December 31, 2017, and $3.5 million at December 31, 2016. Outstanding standby letters of credit have expiration dates ranging to 2025. The maximum potential amount of future payments we are required to make under the guarantees is equal to the total amount of the letters of credit outstanding.

Actions are pending against us in which claims for money damages are asserted. In our opinion, based on current information, the ultimate liability, if any, would not have a material impact on our financial position.

Note 13 – Fair Value Measurement

The Financial Accounting Standards Board guidance on "Fair Value Measurements" defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. The guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. See Note 2, "Summary of Significant Accounting Policies," for a more complete description of the three input levels.

We do not have any material assets or liabilities measured at fair value on a recurring basis. We may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis. The following tables provide information on assets measured at fair value on a nonrecurring basis (in thousands):

As of December 31, 2018	**Fair Value Measurement Using**			**Total Fair Value**
	Level 1	**Level 2**	**Level 3**	
Loans	**–**	**–**	**$723**	**$723**
Other property owned	**–**	**–**	**$300**	**$300**

As of December 31, 2017	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	–	–	$576	$576
Other property owned	–	–	$300	$300

As of December 31, 2016	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	–	–	$1,419	$1,419

The amount of loans in the previous tables represents the fair value of certain loans that were evaluated for impairment based on the estimated appraised value of the underlying collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases, it also requires significant input based on our knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the collateral, less estimated costs to sell, is less than the carrying value of the loan, a specific reserve is established.

The amount of other property owned represents the fair value of foreclosed assets that were measured at fair value based on the collateral value. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

Note 14 – Subsequent Events

We have evaluated subsequent events through March 1, 2019, 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 2018 consolidated financial statements or disclosures in the "Notes to Consolidated Financial Statements."

Frontier Farm Credit, ACA

Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

Description of Business

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

The description of significant developments that had, or could have, a material impact on earnings, interest rates to customers, acquisitions or dispositions of material assets, and material changes in the manner of conducting the business, if any, required to be disclosed in this section are incorporated herein by reference from "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this annual report to stockholders.

Description of Property

Our corporate office is located in Manhattan, Kansas, and is owned. The locations of our retail offices are incorporated herein by reference to the last page of this annual report to stockholders. All retail office locations are owned. No facility construction projects were undertaken in 2018.

Legal Proceedings

Information required to be disclosed in this section is incorporated herein by reference from Note 12 to the consolidated financial statements, "Commitments and Contingencies," included in this annual report to stockholders.

Additional Regulatory Capital

Pursuant to Farm Credit Administration regulation 620.5, the permanent capital ratio, total surplus ratio and core surplus ratios were 14.58 percent, 14.30 percent and 14.30 percent as of December 31, 2013, and 15.12 percent, 14.82 percent and 14.82 percent as of December 31, 2012. 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 required to be disclosed in this section is incorporated herein by reference from Note 8 to the consolidated financial statements, "Members' Equity," included in this annual report to stockholders.

Description of Liabilities

The description of debt outstanding required to be disclosed in this section is incorporated herein by reference from Note 7 to the consolidated financial statements, "Notes Payable," included in this annual report to stockholders.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Note 12 to the consolidated financial statements, "Commitments and Contingencies," included in this annual report to stockholders.

Customer Privacy

Customer privacy is important to us. We hold customer financial and other personal information in strict confidence. We do not sell or trade customers' personal information to marketing companies or information brokers for their use. By Farm Credit Administration regulations, we are required to provide a list of current stockholders to any stockholder who requests such information for defined purposes. Additional information regarding this Farm Credit Administration rule governing the disclosure of customer information can be obtained by contacting the Farm Credit Administration or our Legal team at PO Box 2409, Omaha, NE 68103-2409.

Financial and Supervisory Relationship with the Association's Funding Bank

Information required to be disclosed in this section is incorporated herein by reference from the "Relationship with CoBank, ACB" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" and from Note 7 to the consolidated financial statements, "Notes Payable."

Selected Financial Data

The selected financial data for the five years ended December 31, 2018, required to be disclosed in this section is incorporated herein by reference from the "Consolidated Five-Year Summary of Selected Financial Data" included in this annual report to stockholders.

Management's Discussion and Analysis of Financial Condition and Results of Operations

"Management's Discussion and Analysis of Financial Condition and Results of Operations," which appears in this annual report to stockholders and is required to be disclosed in this section, is incorporated herein by reference.

Frontier Farm Credit, ACA

Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

Directors and Compensation of Directors

The listing of directors, term of office, business experience during the past five years, principal occupation and employment during the past five years, and any other business interests, which are required to be disclosed in this section, are incorporated herein by reference from the "Frontier Farm Credit, ACA Directors" section in this annual report to stockholders.

Our bylaws permit compensation of directors for service on the Board. Compensation is provided for attendance at meetings, special assignments, training and development, and travel time associated with these responsibilities. The per diem for January 1 through April 30, 2018, was $500, and for the remainder of 2018 it was $600. Monthly retainers for January 1 through April 30, 2018, were $2,300 for the Board Chairperson, $2,000 for the Board Vice-Chairperson and Committee Chairpersons, and $1,800 for all other directors. Beginning on May 1, 2018, the annual retainers were $32,600 for the Board Chairperson, $29,700 for the Board Vice-Chairperson and chairpersons of the Frontier Farm Credit and Farm Credit Services of America subcommittees, and $26,700 for all other directors, which were paid in monthly installments.

Compensation information for each director who served in 2018 follows:

Director	Board Days	Other Days	2018 Total Compensation
Kathy Brick	8.0	34.0	**$49,600**
Ronald Dunbar	8.0	23.0	**$42,100**
Jennifer Gehrt, Board Chairperson	8.0	38.0	**$56,733**
Bill Miller	8.0	23.0	**$43,250**
Lee Mueller*	8.0	28.0	**$47,650**
Steve Powers	8.0	24.0	**$43,900**
Shane Tiffany, Board Vice-Chairperson	8.0	36.5	**$52,450**
		Total Compensation	**$335,683**

**Denotes chairperson of a Frontier Farm Credit and Farm Credit Services of America subcommittee.*

All directors, except the Board Chairperson, serve as members of the Board committees (Audit, Business Risk, Governance and Human Capital). No additional compensation is paid for service on a Board committee. 2018 total compensation is rounded to the nearest dollar and includes retainers and all per diems paid in 2018.

Compensation of CEO and Senior Officers

The CEO and senior officers as of December 31, 2018, are shown below. The CEO and senior officers provide joint management for Frontier Farm Credit (Association) and Farm Credit Services of America (FCSAmerica).

Name	Current Position	Date Started in Current Position	Previous Position(s) During Past Five Years
Mark Jensen	President and CEO	November 2017	Senior Vice President – Chief Risk Officer; Senior Vice President – Enterprise Risk Management
Robert Campbell	Senior Vice President	April 1999	–
Scott Coziahr	Senior Vice President – General Counsel	February 2006	–
Ann Finkner	Senior Vice President – Chief Administrative Officer	July 2005	–
Shane Frahm	Senior Vice President – Agribusiness Capital	February 2017	Vice President – Agribusiness Credit; Vice President – Credit & Resolutions
Chad Gent	Senior Vice President – Retail Credit	January 2017	Vice President – Retail Credit
Marshall Hansen	Senior Vice President – Agribusiness Capital	January 2017	Vice President – Agribusiness Finance
Anthony Jesina	Senior Vice President – Related Services	June 2015	Vice President – Country Home Loans
Kenneth Keegan	Executive Vice President – Business Development	August 2013	–
Craig Kinnison	Senior Vice President – Chief Financial Officer	November 2006	–
Dennis Kirlin	Senior Vice President – Chief Applications Officer	January 2017	Vice President – Chief Applications Officer; Vice President – Applications Development
Jim Knuth	Senior Vice President	September 2001	–
Timothy Koch	Senior Vice President – Chief Credit Officer	February 2017	Senior Vice President – Specialized Lending; Vice President – Agribusiness Credit
Brian Legried	Senior Vice President – AgDirect	April 2017	Vice President – Refined Fuels Sales & Energy Services, CHS Inc.
Duane Maciejewski	Senior Vice President – Specialized Lending	March 2017	Senior Vice President – AgDirect; Vice President – AgDirect
David Martin	Senior Vice President – Chief Strategy Officer	December 2008	–
Gary Mazour	Senior Vice President – Agribusiness Capital Credit	February 2017	Vice President – Capital Markets
James Roberge	Senior Vice President – Commercial Lending	March 2012	–
Greg Salton	Senior Vice President – Chief Risk Officer	January 2018	Senior Vice President – Risk Management; Vice President – Business Risk Insights
Fallon Savage	Senior Vice President – Agribusiness Capital Credit	February 2017	Vice President – Agribusiness Finance Operations; Vice President – Capital Markets Sales; Capital Markets Commercial Lender
Robert Schmidt	Senior Vice President	May 1999	–
Russell Wagner	Senior Vice President – Chief Technology Officer	January 2017	Vice President – Chief Technology Officer

Frontier Farm Credit, ACA

Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

Other business interests of senior officers are shown below.

Name	Other Business Interests
Robert Campbell	• Board of Directors, Nebraska Farm Bureau Foundation, a non-profit organization promoting an understanding of the vital importance of agriculture in the state of Nebraska.
Scott Coziahr	• Managing member of JDI Properties, LLC, a residential real estate management company.
Ann Finkner	• Board of Directors and Plan Sponsor Committee, Farm Credit Foundations, a provider of benefits and payroll services for Farm Credit System organizations. • Board of Directors, Institute for Career Advancement Needs, a non-profit organization focusing on professional and personal leadership development. • Board of Directors, NET Foundation, a non-profit organization enhancing the position of public television and radio in the state of Nebraska. • Partner, Jane Doughs Investment Club, a group owning publicly traded investments.
Shane Frahm	• Managing member of Frahm Brothers Partnership, a production farming company. • Co-manager of Hollertz Farms, LLC, a production farming company.
Chad Gent	• Managing member of Double Summit, LLC, a real estate tax lien investment company.
Kenneth Keegan	• Board of Directors, The Durham Museum, a non-profit regional learning and cultural center organization.
Craig Kinnison	• Trust Committee, Farm Credit Foundations, a provider of benefits and payroll services for Farm Credit System organizations. • Board of Directors, Food Bank for the Heartland, a non-profit organization that distributes emergency and supplemental food to people in Nebraska and western Iowa.
David Martin	• Board of Directors, Release Ministries, a non-profit organization supporting youth in the juvenile justice system. • President of DCM Ventures, LLC, a residential real estate company. • President of DCM Properties, LLC, a residential real estate company.
James Roberge	• Board of Directors, Child Saving Institute, a non-profit organization serving children and families in the Omaha area.
Fallon Savage	• Board of Directors, Four Points Federal Credit Union, a financial services cooperative offering banking products and services to members.
Robert Schmidt	• Board of Governors, South Dakota State University Foundation, a non-profit organization supporting private funding for the university.

Compensation Overview: The Association's compensation programs are market-based and designed to provide competitive compensation, including base salary, incentives and benefits that attract, retain, motivate and reward an engaged and talented workforce while achieving business results aligned with the best interests of our shareholders.

The design and governance of our CEO and senior officer compensation program are consistent with prudent risk management standards and provide total compensation that promotes our mission to ensure a safe, sound and dependable source of credit and related services for agriculture and rural America. The design of the compensation program supports our risk management goals and includes (1) a competitive mix of base salary and variable pay, (2) a balanced use of variable pay performance measures that are risk-adjusted where appropriate, (3) a pay-for-performance process that allocates individual awards based on individual performance and contributions, and (4) a long-term portion of variable pay to align with the strategic direction of the Association, which provide for competitive market-based compensation and align with shareholder interests.

Compensation for the CEO and senior officers includes base salary, short-term incentive plan opportunity and long-term incentive plan opportunity. Compensation for all other employees includes base salary and short-term incentive plan opportunity. The CEO and senior officers participate in benefit plans generally available to all employees. Under the alliance agreement described in Note 1, "Organization and Operations," the 2018 compensation and benefits expense for the CEO, senior officers, and all Association and FCSAmerica employees was shared between the Association and FCSAmerica on a 6.9 percent and 93.1 percent basis respectively, excluding any Association pension plan expense in excess of the FCSAmerica's retirement programs.

The current CEO, Mr. Mark Jensen, does not have an employment agreement. Any CEO employment agreement is at the discretion of the Board of Directors.

The former CEO, Mr. Douglas Stark, retired on March 1, 2018. As CEO, he was employed pursuant to an employment agreement that provided specified compensation and related benefits at retirement. To receive payments and other benefits under the agreement, Mr. Stark signed a separation agreement and release of all legal claims against the Association that relate to his employment with the Association. The agreement also provided for noncompetition by Mr. Stark for two years following termination of employment.

Base Salaries: Base salaries for all employees, including the CEO and senior officers, are determined based upon position, experience and responsibilities, performance, and market-based compensation data. The CEO base salary is reviewed and approved by the Board of Directors. The Board of Directors approves the merit and market-adjustment pools available for senior officers' base salaries. Employer expense for base salaries is included in "Salaries and employee benefits" on the Consolidated Statements of Comprehensive Income, which was shared by the Association and FCSAmerica as part of the overall allocation of salaries and benefits.

Short-Term Incentive: The Board of Directors approves the annual short-term incentive plan, including the performance measures. The 2018 short-term incentive plan performance measures included combined results for the Association and FCSAmerica. The senior officers participate in the annual short-term incentive plan along with the other eligible Association employees. Select employees must sign an assignment, nonsolicitation and nondisclosure agreement to participate in the short-term incentive plan. Payouts under the short-term incentive plan are based on financial and business results, select initiatives and credit performance measures, and are approved by the Board of Directors. Payouts are not provided unless specific levels of performance are achieved.

No more than one-half of the short-term incentive-plan award opportunity may be paid in the fourth quarter of the plan year (first award payout), and the remainder of the award payout (final award payout) is paid no later than March 15 after the end of the plan year. The first award payout is based on the results achieved as of September 30 for select performance measures. The final award payout is based upon the year-end results net of the first award payout. The first payout under the 2018 short-term incentive plan occurred in November 2018. The second and final payout occurred in February 2019 and was net of the November 2018 payout.

The CEO's short-term incentive opportunity is established by the Board of Directors. The Board has full discretion as to the amount of any payout to the CEO under the short-term incentive plan and has historically and for 2018 used the results from the short-term incentive plan to determine the payout amount.

The expense for the annual short-term incentive plan was $36.5 million for 2018, which was shared by the Association and FCSAmerica as part of the overall allocation of salaries and benefits.

Long-Term Incentive: The CEO and senior officers are eligible for long-term senior officer incentive plans. The long-term incentive plans were approved by the Board of Directors to align CEO and senior officer compensation with the strategic business plan and the goals of the Association while providing the opportunity for competitive market-based compensation at a level that will attract, retain and reward key staff for the accomplishment of Association goals. The CEO and senior officers must sign an assignment, nonsolicitation and nondisclosure agreement to participate. The plans are nonqualified performance unit plans that are effective January 1, 2016, through December 31, 2018; January 1, 2017, through December 31, 2019; and January 1, 2018, through December 31, 2020.

The plans have independent performance goals measured over the three-year term of the plans that include core return on assets, customer experience index, employee engagement, adverse assets to risk funds and nonaccrual loans to total classified assets. The results included in the plans were combined results for the Association and FCSAmerica.

The Board of Directors approves the total dollars available for the long-term incentive plans, which are then converted into units. The value of each unit is determined by the results achieved toward the established goals. The CEO has discretion as to the distribution of the units to the senior officers for each three-year plan, which is based on consideration of market compensation and individual contributions and performance. The CEO's long-term incentive opportunity is established by the Board of Directors. The Board has full discretion as to the amount of any payout to the CEO under the long-term incentive plan and has historically used the results from the long-term senior officer incentive plan to determine the unit value for the payout amount.

Payments are made no later than March 15 after the end of each three-year plan's term. The payout for the 2016-2018 plan occurred in February 2019 and is reflected in the Summary Compensation Table in the "Long-Term Incentive" column for the calendar year 2018. The payouts for the 2014-2016 and 2015-2017 plans were paid in the first quarter of 2017 and the first quarter of 2018 respectively, and are reflected in the Summary Compensation Table in the "Long-Term Incentive" column for the calendar years 2016 and 2017.

A liability and salary and benefits expense of $3.5 million was recorded in 2018 for the long-term incentive plans. The expense was shared by the Association and FCSAmerica as part of the overall allocation of salaries and benefits.

Frontier Farm Credit, ACA

Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

The following Summary Compensation Table includes compensation paid to the CEO and the senior officers during fiscal years 2018, 2017 and 2016.

Name of CEO	Year [2]	Salary [3]	Short-Term Incentive [4]	Long-Term Incentive [5]	Deferred [6]	Other [7]	Total
Mark Jensen, CEO	**2018**	**$600,000**	**$415,410**	**$227,540**	**$151,733**	**$5,733**	**$1,400,416**
Mark Jensen, CEO [1]	2017	$100,000	$68,110	$8,731	$26,986	$1,478	$205,305
Douglas Stark, CEO [1]	2017	$566,667	$283,334	$415,574	$159,720	$11,149	$1,436,444
Douglas Stark, CEO	2016	$660,000	$288,618	$410,700	$217,694	$14,131	$1,591,143

Aggregate No. of Sr. Officers in Year Excluding CEO [8]	Year [2]	Salary [3]	Short-Term Incentive [4]	Long-Term Incentive [5]	Deferred [6]	Other [7]	Total
22	**2018**	**$5,416,138**	**$3,087,248**	**$2,270,053**	**$1,306,434**	**$446,526**	**$12,526,399**
23	2017	$5,363,646	$2,832,368	$1,942,011	$1,177,192	$135,876	$11,451,093
13	2016	$3,544,555	$1,776,409	$1,776,688	$922,340	$192,466	$8,212,458

[1] Mr. Jensen was appointed CEO as of November 1, 2017, with Mr. Stark concluding his service as CEO on October 31, 2017.

[2] The Association paid 6.9 percent, 7.1 percent and 7.0 percent of the compensation expense for 2018, 2017 and 2016 respectively. Farm Credit Services of America paid 93.1 percent, 92.9 percent and 93.0 percent of the compensation expense for 2018, 2017 and 2016 respectively.

[3] Salary earned in the fiscal year.

[4] Incentive earned in the fiscal year.

[5] Incentive earned at the end of the respective three-year long-term incentive plan. For 2018, the number includes a long-term incentive for Mr. Stark based upon his employment agreement.

[6] Association contributions to the Defined Contribution Plan and Nonqualified Deferred Compensation Plan during the fiscal year.

[7] Executive physicals, sign-on bonus, special recognition bonus, retirement gift, taxable moving expense, vacation leave payout, recognition and referral awards, health and fitness account payouts, health incentives, taxable vehicle use, long-term disability premiums and group life insurance imputed income incurred during the fiscal year. For 2018, the number includes amounts for Mr. Stark, who was a senior officer until his retirement on March 1, 2018.

[8] Employees designated as senior officers during the fiscal year. The 2018 number includes Mr. Stark, who served as a senior officer from November 1, 2017, until his retirement on March 1, 2018. The 2017 number includes Mr. Jensen and Mr. Stark when they served as senior officers as well as nine individuals appointed as senior officers in 2017. The 2016 number does not include a senior officer who retired on January 4, 2016.

Disclosure of the total compensation paid during 2018 to any senior officer included in the Summary Compensation Table is available to our stockholders upon written request to Frontier Farm Credit, PO Box 2409, Omaha, NE 68103-2409.

Details of the benefit plans are described in Note 9 to the consolidated financial statements, “Employee Benefit Plans.”

Travel, Subsistence and Other Related Expenses

Director and employee reimbursements for travel, subsistence and other related expenses are set forth in the Board’s Governance Guidelines and Human Resources Manual. Each provides authority for and control over reimbursement of travel and subsistence expenses for authorized individuals traveling on official business. Copies of the related Governance Guidelines and Human Resources Manual provisions are available to our stockholders upon written request to Frontier Farm Credit, PO Box 2409, Omaha, NE 68103-2409.

The aggregate amount of reimbursement for travel, subsistence and other related expenses for all our directors was $75 thousand in 2018, $100 thousand in 2017 and $119 thousand in 2016.

Transactions with Directors, Senior Officers and Employees

Directors and certain employees may obtain loans from us, provided they meet all eligibility requirements and provided that such loans are made on the same terms available to other customers. Approval of CoBank, ACB is required for loans to our directors and employees, and for loans to any customer if a director or employee is to receive more than $50 thousand of the loan proceeds, has a significant personal interest in the loan or its security, may exercise control over the customer, or guarantees or cosigns a loan in excess of $50 thousand. Further, directors and employees are required to refrain from taking any part in the consideration or decision on any loan in which they or their relatives have an interest.

Our bylaws and policies require that directors’ loans be maintained at a high level of credit quality. Any director whose loan is classified “substandard” must prepare and obtain approval of a plan to improve and upgrade the loan within a specified period of time. For directors, failure to comply with our bylaws and policies would result in the director’s position being vacated. Directors whose loans are classified “doubtful” or “loss,” or have any portion of a loan charged off, must resign immediately.

Frontier Farm Credit, ACA

Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

The Farm Credit Act and Farm Credit Administration regulations require certain disclosures to stockholders concerning loans to directors and employees, their relatives, organizations with which they are affiliated or entities that they may control. Disclosure is required where such loans were made on terms other than those available to other customers, or where such loans are considered to have more than a normal risk of collectability. None of our loans made to directors or employees, their relatives, affiliated organizations or entities they may control were made on terms other than those available to all customers, nor were any such loans considered to have more than a normal risk of collectability.

Director, senior officer and employee non-loan transactions with us are regulated by our policy.

Concerning property that was mortgaged or pledged as security for Farm Credit System debt within the preceding 12 months, the policy requires that senior officers and employees obtain approval from the Standards of Conduct officer for purchase of the property.

Concerning property acquired within the preceding 12 months in satisfaction of Farm Credit System debt, this policy:

- prohibits lease, purchase or acquisition except through inheritance by senior officers and employees; and
- prohibits lease, purchase or acquisition except through inheritance, public auction or other open competitive bidding process by directors.

The policy does permit directors, senior officers and employees to purchase furniture and equipment owned by us provided that any item having a value of greater than $5 thousand must be purchased through an open competitive bidding process.

The Farm Credit Act and Farm Credit Administration regulations also require certain disclosures to stockholders concerning non-loan transactions a director or senior officer, or any of his or her relatives, affiliated organizations or entities he or she may control have with us. Such disclosure is required if such transactions did not involve competitive bidding, involved amounts in excess of $5 thousand or provided a special benefit to the director or senior officer. No such transactions took place during 2018.

Involvement in Certain Legal Proceedings

There were no material legal proceedings or enforcement actions involving Frontier Farm Credit, our directors or senior officers that require disclosure in this section.

Relationship with Qualified Public Accountant

PricewaterhouseCoopers LLP serves as our qualified public accountant. There were no changes in our qualified public accountant since the prior annual report to stockholders, and there were no material disagreements on any matter of accounting principles or financial statement disclosures during this period. Expenses recognized in the 2018 consolidated financial statements for services provided by PricewaterhouseCoopers LLP were approved by the Board Audit Committee and include $73 thousand for audit services and $4 thousand for tax-review services.

Financial Statements

The “Consolidated Financial Statements,” “Notes to Consolidated Financial Statements,” “Report of Management,” “Report on Internal Control Over Financial Reporting,” “Report of Audit Committee” and “Report of Independent Auditors” required to be disclosed in this section are incorporated herein by reference from this annual report to stockholders.

Credit and Services to Young, Beginning and Small Producers

We have specific programs in place to serve the credit and related needs of young, beginning and small producers in our territory. Programs focus on providing sound financial services, education and networking opportunities. The definitions of young, beginning and small producers follow:

Definitions

- Young – producers age 35 and under.
- Beginning – producers with 10 years or less of production agriculture as their primary source of income.
- Small – producers who generate less than $250,000 in annual gross sales of agricultural products.

Frontier Farm Credit, ACA

Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

Program Elements

Our program for serving young, beginning and small producers includes the following:

Conventional Loans: Producers age 35 and under, or with 10 years or less of farming or ranching experience, may have sufficient capacity, credit history or financial backing to meet our traditional loan approval standards.

AgStart Loans: Producers age 35 and under, or with 10 years or less experience, can benefit from modified credit-approval standards to help them gain access to debt capital. It is the goal of the program to help facilitate the financial growth of the customer and graduate participating producers from the AgStart program into conventional product offerings over time.

Development Fund: This program assists young, beginning and small Producers who are beginning, growing or enhancing an agricultural-based operation by providing them with needed working capital loans and business planning assistance. The Association has enrolled 13 customers as of December 31, 2018, providing $1.5 million in specialized loans.

Youth in Agriculture Loans for Breeding Livestock: The Breeding Livestock loan program for youth provides loans for terms of 1-5 years, up to $10,000, for the purpose of purchasing breeding livestock. These loans require a cosigner of legal age and are approved based on the strength and credit scores of the cosigner.

Education and Finance Sponsorships: We provide donations and sponsor state and local FFA activities and conventions, state 4-H activities and conventions, and agricultural leadership programs.

College Scholarships: In 2018, we offered eight $2,500 scholarships to qualified students studying agriculture at Kansas State University and four $1,000 scholarships to community college students.

Small Producer Financing: Small producers are served primarily through three loan programs: Country Home Loans®, AgDirect® and the full line of products and services offered through our retail marketplaces. All of these programs are designed to meet the needs of small producers, part-time farmers or rural residents with a convenient and efficient delivery of financial services. Small producers who also meet the definition of young or beginning are eligible for the young and beginning program.

Credit Underwriting Standards

Young and beginning producers who do not meet traditional credit standards are considered under an outreach loan program called AgStart. Through this program, applicants' requests are analyzed and assessed based primarily on character and capacity credit factors. Farm Service Agency guarantees are used as deemed necessary, with additional support provided by our payment of the first $2,500 of external fees. As of December 31, 2018, AgStart customers accounted for 344 loans to 200 customers with an outstanding commitment of $37.7 million. AgStart loan volume grew by 16.7 percent in 2018.

Results and Goals

As of December 31, 2018, we had 2,971 unique young, beginning and small customers, with total loan volume of $453 million. These include:

- 388 customers who qualify as young, with total loan volume of $49 million.
- 741 customers who qualify as beginning, with total loan volume of $111 million.
- 2,825 customers who qualify as small, with total loan volume of $430 million.

Young and Beginning Segment: In our territory, the young and beginning definitions result in 3,267 producers age 35 and under and 6,866 producers with 10 years or less of production agriculture experience, according to the 2012 United States Department of Agriculture Census of Agriculture. The 2012 data is the most recent census data available. As of December 31, 2018, we had 388 young customers and 741 beginning customers, some of whom are counted in both categories. This equates to a young market share of 11.9 percent and a beginning market share of 10.8 percent. Total loan volume to young and beginning customers was $127 million.

Small Producer Segment: According to 2012 United States Department of Agriculture Census of Agriculture data, 26,658 farms representing 90.5 percent of all farms in our territory meet the definition of small (less than $250,000 in annual gross sales of agricultural products). The 2012 United States Department of Agriculture Census of Agriculture includes any operation with farm income in its definition of a farm. In the census data, 14,308 operations have gross farm income of less than $10,000. We believe that farm income in these operations is incidental to total income and that our services are likely not needed or may not even be eligible under the Farm Credit Administration regulations.

	Potential Customers*	Frontier Farm Credit Customers	Market Share***
Young	1,766	388	22.0%
Beginning	3,021	741	24.5%
Small**	6,631	2,825	42.6%

** 2012 United States Department of Agriculture Census of Agriculture data of farms with debt.*
*** Potential customers in the small category are producers with debt who reported annual gross sales between $10,000 and $249,999.*
**** Market share was computed by comparing the number of producers in the young, beginning or small categories maintaining a loan relationship with Frontier Farm Credit to the total number of producers with debt in those categories.*

Young, Beginning and Small Producer New Customer Growth			
	2019 Goals	2020 Goals	2021 Goals
Young	45	45	50
Beginning	65	65	70
Small	85	85	85

Special Program Goal (AgStart): This program goal will positively affect all three young, beginning and small producer categories. Use of this outreach loan program is seen as a critical component of long-term success in the marketplace.

The Association's goal is to increase AgStart loan commitments by 8.0-12.0 percent annually.

Related Services

Young and Beginning Producer Conference: Frontier Farm Credit jointly hosts an annual conference for young and beginning producers with FCSAmerica. The Side by Side Conference was held in Omaha, Nebraska, on August 1-3, 2018. Including customers from FCSAmerica, there were 222 young and beginning producers in attendance at this conference.

Producers benefited from the opportunity to network with one another, learn from the speakers and learn more about Frontier Farm Credit. The conference provided benefits by creating an opportunity for participants to become better-informed business managers and by building customer loyalty.

Education and Finance Sponsorships: We awarded $20,000 in college scholarships in 2018. In addition, the Association donated funds for state and local FFA and 4-H activities, and provided additional funding and resources for young and beginning producer education, leadership development programs and local scholarships.

Awareness

Young and Beginning Team: We maintain a standing cross-functional team that meets periodically to monitor, review and modify our young and beginning program to most effectively meet the needs of the segment and the goals of the organization. The team continues to periodically rotate members as a way to bring new, innovative ideas to the team.

Frontier Farm Credit, ACA

Disclosure Information

Required by Farm Credit Administration Regulations (Unaudited)

Frontier Farm Credit Retail Office Locations

1270 N. 300 Road
Baldwin City, KS 66006

1808 Road G
Emporia, KS 66801

2219 Natchez Street
Hiawatha, KS 66434

2009 Vanesta Place
Manhattan, KS 66503

835 Pony Express Highway
Marysville, KS 66508

2005 Harding Drive
Parsons, KS 67357

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800-397-3191 // frontierfarmcredit.com

Frontier Farm Credit strives to be environmentally conscious. If you would like to receive an additional copy of our 2018 annual report, please contact us at 1-800-397-3191.

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