QUARTERLY REPORT TO STOCKHOLDERS

AMERICAN AGCREDIT

MONEY FOR AGRICULTURE

AS OF JUNE 30, 2018

American AgCredit, ACA

The shareholders' investment in American AgCredit, ACA is materially affected by the financial condition and results of operations of CoBank. The CoBank quarterly and annual reports are on CoBank's website, www.CoBank.com, or may be obtained at no charge by calling American AgCredit at (800) 800-4865 or visiting the office at 400 Aviation Blvd., Suite 100, Santa Rosa, CA 95403**.**

Message to Stockholders

DEAR STOCKHOLDER:

Your Association remains on track to deliver strong earnings this year. As owners of our cooperative, you enjoy many benefits including a patronage program that allows you to share in our earnings. We remain committed to acting as responsible stewards of your financial assets by providing both an annual return on your money as well as continuing to invest in the long-term success of our business.

FINANCIAL CONDITION AND RESULTS OF OPERATIONS:

Net Income for the six months ended June 30, 2018 was $91.1 million compared to $80.5 million for the same period one year ago, an increase of $10.6 million. This was due to a $3.2 million increase in net interest income, a $4.6 million reduction in the provision for loan loss, and a $5.6 million increase in miscellaneous income. The increase in miscellaneous income was primarily due to a nonrecurring $5.5 million Farm Credit System Insurance Corporation premium refund. Additionally, the Association recorded a credit loss reversal of $3.3 million during the first six months of 2018 compared to a $1.3 million provision for credit losses for the same period one year ago. The year-to-date return on average assets through the first two quarters of 2018 was 1.86% compared to 1.75% for the first two quarters of last year and 1.70% for the full twelve months of 2017.

Total loan volume was $9.382 billion at June 30, 2018 an increase of $75 million from $9.307 billion at December 31, 2017. The increase was due to new loan volume growth partially offset by anticipated seasonal loan payments that occurred during the first quarter. On a year-over-year basis, loan volume increased $612 million when compared to June 30, 2017, resulting in a year-over-year growth rate of 7.0%. The increase in loan growth was due to strong organic growth. Credit quality continues to hold up very well despite the challenges currently facing agriculture. Nonaccrual loan volume increased during the quarter but still represented just 0.56% of total loan volume at the end of the second quarter compared to 0.25% at June 30, 2017 and 0.32% at December 31, 2017.

The Association's capital position remains very strong. Total members' equity was $2.165 billion at the end of the second quarter, an increase of $134 million from $2.031 billion at December 31, 2017. The increase was primarily due to strong year-to-date earnings along with an increase in preferred stock. The Association was in compliance with all capital ratio requirements at June 30, 2018. The Association's strong earnings and capital position enable us to effectively serve our mission, our customers and support our ability to maintain our cash patronage program.

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

Charles Talbott	Byron Enix	Vern Zander
Chairman	Chief Executive Officer	Chief Financial Officer

August 9, 2018

Consolidated Statements of Condition *(dollars in thousands)*

	June 30, 2018	December 31, 2017
	(Unaudited)	*(Audited)*
ASSETS		
Loans	$9,381,806	$9,306,922
Less: allowance for loan losses	(16,814)	(19,588)
Net loans	9,364,992	9,287,334
Cash	8,756	51,202
Accrued interest receivable	90,096	80,155
Investment in CoBank	314,931	312,302
Premises and equipment, net	127,274	129,123
Other assets	86,126	104,638
Total assets	**$9,992,175**	**$9,964,754**
LIABILITIES		
Note payable to CoBank	$7,637,041	$7,658,255
Funds Held accounts	91,477	86,599
Accrued interest payable	23,502	20,183
Dividends payable	-	59,818
Other liabilities	75,375	108,896
Total liabilities	**7,827,395**	**7,933,751**
MEMBERS' EQUITY		
Preferred stock	166,969	126,910
Common capital stock and participation certificates	9,112	8,714
Additional paid in capital	656,723	656,723
Unallocated retained surplus	1,346,275	1,254,530
Accumulated other comprehensive loss	(14,299)	(15,874)
Total members' equity	**2,164,780**	**2,031,003**
Total liabilities and members' equity	**$9,992,175**	**$9,964,754**

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

Consolidated Statements of Comprehensive Income *(dollars in thousands)*

(Unaudited)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
INTEREST INCOME				
Loans	$111,907	$96,550	$218,259	$187,849
Total interest income	**111,907**	**96,550**	**218,259**	**187,849**
INTEREST EXPENSE				
Notes payable CoBank	46,909	32,148	87,785	60,772
Funds Held and other interest	374	253	628	431
Total interest expense	**47,283**	**32,401**	**88,413**	**61,203**
Net interest income	**64,624**	**64,149**	**129,846**	**126,646**
Reversal of/(Provision for) credit losses	1,256	(1,049)	3,303	(1,329)
Net interest income after provision for credit losses	**65,880**	**63,100**	**133,149**	**125,317**
NON-INTEREST INCOME				
Loan origination fees and late charges	2,651	2,689	4,846	5,000
Servicing fees	993	941	1,869	1,894
Patronage distribution from Farm Credit institutions	10,196	8,085	20,472	18,042
Other gains, net	63	800	163	846
Miscellaneous	1,581	1,505	8,799	3,232
Total non-interest income	**15,484**	**14,020**	**36,149**	**29,014**
NON-INTEREST EXPENSES				
Salaries and benefits	25,331	23,286	48,943	46,014
Occupancy and equipment expense	2,390	2,534	4,855	5,108
Insurance fund premiums	1,604	2,400	3,211	4,995
Supervisory and examination expense	761	781	1,523	1,563
Losses on other property owned, net	3	1	3	1
Merger costs	-	12	50	61
Other operating expenses	10,208	7,356	19,635	16,093
Total non-interest expenses	**40,297**	**36,370**	**78,220**	**73,835**
Income before income taxes	41,067	40,750	91,078	80,496
Provision for income taxes	(3)	(5)	(16)	(4)
Net income	**$41,064**	**$40,745**	**$91,062**	**$80,492**
COMPREHENSIVE INCOME				
Change in retirement obligation	788	338	1,575	677
Total comprehensive income	**$41,852**	**$41,083**	**$92,637**	**$81,169**

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

Consolidated Statements of Changes in Members' Equity *(dollars in thousands)*

For the Six Months Ended June 30, 2017 and 2018

(Unaudited)	Stock and Participation Certificates	Preferred Stock	Additional Paid in Capital	Unallocated Retained Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2016	**$7,805**	**$128,620**	**$490,564**	**$1,154,462**	**($7,806)**	**$1,773,645**
Comprehensive income				80,492	677	81,169
Stock issued	796	114,747				115,543
Stock retired	(429)	(91,387)				(91,816)
Merger adjustments	962		166,159			167,121
Preferred stock dividends paid		590				590
Preferred stock dividends accrued				(591)		(591)
Reversal of prior period patronage accrual				2,114		2,114
Balance at June 30, 2017	**$9,134**	**$152,570**	**$656,723**	**$1,236,477**	**($7,129)**	**$2,047,775**
Balance at December 31, 2017	**$8,714**	**$126,910**	**$656,723**	**$1,254,530**	**($15,874)**	**$2,031,003**
Comprehensive income				91,062	1,575	92,637
Stock issued	822	175,205				176,027
Stock retired	(424)	(136,351)				(136,775)
Preferred stock dividends paid		1,205				1,205
Preferred stock dividends accrued				(1,198)		(1,198)
Reversal of prior period patronage accrual				1,881		1,881
Balance at June 30, 2018	**$9,112**	**$166,969**	**$656,723**	**$1,346,275**	**($14,299)**	**$2,164,780**

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

Notes to the Consolidated Financial Statements *(dollars in thousands, except as noted.)*

(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of the American AgCredit, ACA (Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2017 are contained in the 2017 Annual Report to Stockholders (2017 Annual Report) for American AgCredit, ACA. The financial statements were prepared under the oversight of the audit committee of the board of directors.

The accompanying unaudited second quarter 2018 financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2017 as contained in the 2017 Annual Report.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2018. Descriptions of the significant accounting policies are included in the 2017 Annual Report. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

In February 2018, the Financial Accounting Standards Board (FASB) issued guidance entitled “Income Statement — Reporting Comprehensive Income — Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” This guidance allows for the reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the recently issued tax legislation, Tax Cuts and Jobs Act (TCJA) that lowered the federal corporate tax rate from 35% to 21%. The amount of the reclassification shall include the effect of the change in the tax rate on gross deferred tax amounts and related valuation allowances at the date of enactment of the TCJA related to items remaining in accumulated other comprehensive income. The guidance becomes effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Association adopted this guidance effective January 1, 2018 and the Association’s financial condition, and its results of operations were not materially impacted.

In March 2017, the FASB issued guidance entitled “Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost.” The guidance requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. This guidance became effective for interim and annual periods beginning after December 15, 2017. The Association adopted this guidance effective January 1, 2018 and the Association’s financial condition, and its results of operations were not materially impacted.

In January 2016, the FASB issued guidance entitled “Recognition and Measurement of Financial Assets and Liabilities.” The guidance affects, among other things, the presentation and disclosure requirements for financial instruments. For public entities, the guidance eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments carried at amortized cost. This guidance became effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not impact the Association’s financial condition or its results of operations but did impact the Association’s fair value disclosures.

In May 2014, the FASB issued guidance entitled, “Revenue from Contracts with Customers.” The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. The guidance sets forth the requirement for new and enhanced disclosures. The Association adopted the new standard effective January 1, 2018, using the modified retrospective approach. As the majority of the Association’s revenues are not subject to the new guidance, the adoption of the guidance did not have a material impact on the Association’s financial position, results of operations, equity or cash flows.

Notes to the Consolidated Financial Statements *(continued)*

Refer to Note 2 in our 2017 Annual Report for additional information on other accounting standards that have been issued, but are not yet effective. The Association is evaluating the impact of adoption on its financial condition and results of operations.

Certain amounts in the prior period's financial statements have been reclassified to conform to the current period's financial statement presentation.

NOTE 2 – LOANS AND ALLOWANCE FOR LOAN LOSSES

Components of loans in the Consolidated Statements of Condition are as follows:

	June 30, 2018		December 31, 2017	
	Amount	Percentage	Amount	Percentage
Real estate mortgage	$5,498,370	58.6%	$5,280,957	56.7%
Production and intermediate-term	1,822,504	19.4%	2,001,070	21.5%
Agribusiness	1,752,105	18.7%	1,718,331	18.5%
Rural infrastructure	282,154	3.0%	279,440	3.0%
Rural residential real estate	3,601	0.1%	4,054	0.1%
Agricultural export finance	23,072	0.2%	23,070	0.2%
Total loans	**$9,381,806**	**100.0%**	**$9,306,922**	**100.0%**

PARTICIPATION INTERESTS

The Association, in the normal course of business, purchases and sells participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration regulations. All loans sold to other parties are sold without recourse.

The following table presents information regarding participations purchased and sold at June 30, 2018:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations		Participations		Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$179,255	$1,169,863	$284	$0	$179,539	$1,169,863
Production and intermediate-term	336,169	731,376	-	-	336,169	731,376
Agribusiness	1,032,993	1,451,968	2,335	-	1,035,328	1,451,968
Rural infrastructure	290,589	8,631	-	-	290,589	8,631
Agricultural export finance	23,072	-	-	-	23,072	-
Total	**$1,862,078**	**$3,361,838**	**$2,619**	**$0**	**$1,864,697**	**$3,361,838**

Notes to the Consolidated Financial Statements *(continued)*

CREDIT QUALITY

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

- **Acceptable:** Assets are expected to be fully collectible and represent the highest quality,
- **Other Assets Especially Mentioned (OAEM):** Assets are currently collectible but exhibit some potential weakness,
- **Substandard:** Assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan,
- **Doubtful:** Assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable, and
- **Loss:** Assets are considered uncollectible.

The determination of the allowance for loan losses is based on estimates that are susceptible to changes in the economic environment and market conditions, and is based on the Association's past loss experience, known and inherent risks in the portfolio, the estimated value of the underlying collateral, and current economic conditions. Management believes that as of June 30, 2018, the allowance for loan losses is adequate based on information currently available.

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type:

	As of June 30, 2018						
	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	%	Amount	%	Amount	%	Amount
Real estate mortgage	$5,393,211	96.9%	$104,642	1.9%	$67,681	1.2%	$5,565,534
Production and intermediate-term	1,734,267	94.4%	63,103	3.4%	40,577	2.2%	1,837,947
Agribusiness	1,708,582	97.1%	5,253	-	45,513	2.6%	1,759,348
Rural infrastructure	278,421	98.5%	4,118	1.5%	-	-	282,539
Rural residential real estate	3,104	85.9%	398	11.0%	113	3.1%	3,615
Agricultural export finance	23,114	100.0%	-	-	-	-	23,114
Total	**$9,140,699**	**96.5%**	**$177,514**	**1.9%**	**$153,884**	**1.6%**	**$9,472,097**

	As of December 31, 2017						
	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	%	Amount	%	Amount	%	Amount
Real estate mortgage	$5,176,851	97.0%	$81,613	1.5%	$79,436	1.5%	$5,337,900
Production and intermediate-term	1,889,264	93.7%	86,794	4.3%	39,683	2.0%	2,015,741
Agribusiness	1,674,195	97.0%	76	-	52,073	3.0%	1,726,344
Rural infrastructure	279,916	100.0%	-	-	-	-	279,916
Rural residential real estate	3,763	92.5%	184	4.5%	122	3.0%	4,069
Agricultural export finance	23,107	100.0%	-	-	-	-	23,107
Total	**$9,047,096**	**96.4%**	**$168,667**	**1.8%**	**$171,314**	**1.8%**	**$9,387,077**

Notes to the Consolidated Financial Statements *(continued)*

IMPAIRED ASSETS

Impaired assets (including related accrued interest) are as follows:

	June 30, 2018	December 31, 2017
Nonaccrual loans:		
Real estate mortgage	$17,765	$19,544
Production and intermediate-term	8,804	10,263
Agribusiness	25,832	14
Rural residential real estate	23	28
Total nonaccrual loans	52,424	29,849
Accruing restructured loans:		
Real estate mortgage	11,162	11,421
Total accruing restructured loans	11,162	11,421
Accruing loans > 90 days past due:		
Real estate mortgage	629	-
Production and intermediate-term	1,489	-
Total accruing loans > 90 days past due	2,118	-
Total impaired loans	**65,704**	**41,270**
Other property owned	-	-
Total impaired assets	**$65,704**	**$41,270**

Additional impaired loan information is as follows:

	At June 30, 2018			For the Six Months Ended June 30, 2018	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans:					
with a related allowance for credit losses	$8,238	$8,909	$2,362	$3,869	$1
with no related allowance for credit losses	57,466	82,545	-	43,762	1,115
Total	**$65,704**	**$91,454**	**$2,362**	**$47,631**	**$1,116**

	At June 30, 2017			For the Six Months Ended June 30, 2017	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans:					
with a related allowance for credit losses	$3,267	$5,350	$610	$3,032	$0
with no related allowance for credit losses	32,962	54,014	-	32,911	881
Total	**$36,229**	**$59,364**	**$610**	**$35,943**	**$881**

DELINQUENCY

The following tables provide an age analysis of past due loans (including accrued interest).

June 30, 2018	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans
Real estate mortgage	$573	$11,506	$12,079	$5,553,455	$5,565,534
Production and intermediate-term	1,220	3,399	4,619	1,833,328	1,837,947
Agribusiness	6,154	-	6,154	1,753,194	1,759,348
Rural infrastructure	(7)	-	(7)	282,546	282,539
Rural residential real estate	23	-	23	3,592	3,615
Agricultural export finance	-	-	-	23,114	23,114
Total	**$7,963**	**$14,905**	**$22,868**	**$9,449,229**	**$9,472,097**

December 31, 2017	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans
Real estate mortgage	$12,452	$10,237	$22,689	$5,315,211	$5,337,900
Production and intermediate-term	7,282	2,096	9,378	2,006,363	2,015,741
Agribusiness	2,775	-	2,775	1,723,569	1,726,344
Rural infrastructure	-	-	-	279,916	279,916
Rural residential real estate	130	-	130	3,939	4,069
Agricultural export finance	-	-	-	23,107	23,107
Total	$22,639	$12,333	$34,972	$9,352,105	$9,387,077

TROUBLED DEBT RESTRUCTURINGS

A restructuring of debt constitutes a troubled debt restructuring (TDR) if the creditor for economic reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider.

The following table presents additional information regarding TDRs, whether accrual or non-accrual, that occurred during the first six months of 2018. The Association had no loans that were classified as TDRs during the first six months of 2017.

	For the Six Months Ended June 30, 2018	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Production and intermediate-term	$49	$49
Total	**$49**	**$49**

*Pre-modification represents the recorded investment prior to restructuring and post-modification 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.

Notes to the Consolidated Financial Statements *(continued)*

In the allowance for loan loss analysis, TDR loans are individually evaluated and a specific allowance is established based on the likelihood the current events will result in an anticipated loss on the individual loans.

The following table provides information on outstanding principal balance of loans restructured in TDR at period-end. These loans are included as impaired loans in the impaired loan table at June 30, 2018:

	TDRs in Accrual Status		TDRs in Nonaccrual Status		Total TDRs	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Real estate mortgage	$11,135	$11,400	$1,625	$2,564	$12,760	$13,964
Production and intermediate-term	-	-	784	825	784	825
Total	**$11,135**	**$11,400**	**$2,409**	**$3,389**	**$13,544**	**$14,789**

Additional commitments to lend to borrowers whose loans have been modified in TDRs were $55 thousand at period end.

ALLOWANCE FOR LOAN LOSSES

A summary of changes in the allowance for loan losses and period-end recorded investment in loans is as follows:

	Allowance for Loan Losses			Recorded Investments in Loans Outstanding		
	Balance at June 30, 2018	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	**Balance at June 30, 2018**	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$3,859	$0	$3,859	$5,565,534	$29,555	$5,535,979
Production and intermediate-term	6,664	336	6,328	1,837,947	10,294	1,827,653
Agribusiness	5,718	2,026	3,692	1,759,348	25,832	1,733,516
Rural infrastructure	527	-	527	282,538	-	282,538
Rural residential real estate	4	-	4	3,616	23	3,593
Agricultural export finance	42	-	42	23,114	-	23,114
Total	**$16,814**	**$2,362**	**$14,452**	**$9,472,097**	**$65,704**	**$9,406,393**

	Allowance for Loan Losses			Recorded Investments in Loans Outstanding		
	Balance at December, 2017	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	**Balance at December, 2017**	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$4,007	$0	$4,007	$5,337,900	$30,965	$5,306,935
Production and intermediate-term	8,968	600	8,368	2,015,741	10,264	2,005,477
Agribusiness	5,928	-	5,928	1,726,344	14	1,726,330
Rural infrastructure	643	-	643	279,916	-	279,916
Rural residential real estate	4	-	4	4,069	27	4,042
Agricultural export finance	38	-	38	23,107	-	23,107
Total	**$19,588**	**$600**	**$18,988**	**$9,387,077**	**$41,270**	**$9,345,807**

Notes to the Consolidated Financial Statements *(continued)*

A reconciliation of the Allowance for Loan Losses is as follows:

	June 30, 2018	June 30, 2017
Allowance for Loan Losses		
Balance at beginning of year	$17,525	$17,920
Charge-offs	(1,205)	(868)
Recoveries	1,930	165
Provision for loan losses	(1,436)	1,222
Balance at end of quarter	**$16,814**	**$18,439**

NOTE 3 – MEMBERS' EQUITY

On March 10, 2016, the Farm Credit Administration (FCA) adopted final rules relating to regulatory capital requirements for the system banks, including CoBank and Associations. The new Capital Regulations took effect January 1, 2017. The table below shows the Association's regulatory and permanent capital ratios as of June 30, 2018. The Association exceeded all regulatory minimum capital requirements as of June 30, 2018.

	Regulatory Minimums	Capital Conservation Buffer	Total	As of June 30, 2018
Common Equity Tier 1 Capital	4.5%	2.5%*	7.0%	**15.24%**
Tier 1 Capital	6.0%	2.5%*	8.5%	**15.24%**
Total Capital	8.0%	2.5%*	10.5%	**15.42%**
Permanent Capital	7.0%	0.0%	7.0%	**16.78%**
Tier 1 Leverage	4.0%	1.0%	5.0%	**17.45%**
URE and UREE Leverage	1.5%	0.0%	1.5%	**17.87%**

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

Association shareholders have approved a class of preferred stock known as H Stock. At June 30, 2018, 500 million shares of the stock were authorized at $1.00 par value. H Stock ownership is limited to existing common stockholders of the Association and is considered "at-risk." The stock bears a dividend rate that is set by the Board of Directors. Retirement of the stock is at the discretion of the Board. At June 30, 2018, there were 166,969,233 shares of H Stock issued and outstanding. The dividend rate at June 30, 2018 was 1.60%.

Notes to the Consolidated Financial Statements *(continued)*

The following tables present the activity in the accumulated other comprehensive income (loss), net of tax by component:

Balance at December 31, 2017	**Pension and Other Benefit Plans**	**Accumulated Other Comprehensive Loss**
Other comprehensive loss before reclassifications	($15,874)	($15,874)
Amounts reclassified from accumulated other comprehensive loss	1,575	1,575
Net current period other comprehensive income	1,575	1,575
Balance at June 30, 2018	**($14,299)**	**($14,299)**

Balance at December 31, 2016	**Pension and Other Benefit Plans**	**Accumulated Other Comprehensive Loss**
Other comprehensive loss before reclassifications	($7,806)	($7,806)
Amounts reclassified from accumulated other comprehensive loss	677	677
Net current period other comprehensive income	677	677
Balance at June 30, 2017	**($7,129)**	**($7,129)**

The following table represents reclassifications out of accumulated other comprehensive income (loss):

	For the Six Months Ended		**Location of Gain/(Loss) Recognized in Statement of Income**
	Jun. 31, 2018	**Jun. 30, 2017**	
Pension and other benefit plans:			
Net actuarial gain/(loss)	$1,575	$677	Salaries & Benefits
Total amounts reclassified	**$1,575**	**$677**	

NOTE 4 – Fair Value Measurements

SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 to the 2017 Annual Report.

Assets and liabilities measured at fair value for each of the fair value hierarchy values are summarized below.

	June 30, 2018		**December 31, 2017**	
	Fair Value Measurement Using		**Fair Value Measurement Using**	
	Level 1	**Level 3**	**Level 1**	**Level 3**
Measured at fair value on a recurring basis:				
Assets held in nonqualified benefits trusts	$18,739		$17,373	
Measured at fair value on a non-recurring basis:				
Assets:				
Loans		$5,877		$1,754
Loans acquired in Mountain Plains merger		$54,650		$66,024
Loans acquired in SW Kansas merger		$257,350		$297,638
Liabilities:				
Debt acquired in Mountain Plains merger		$55,065		$66,493
Debt acquired in SW Kansas merger		$259,824		$300,417

Notes to the Consolidated Financial Statements *(continued)*

During the reporting periods presented, the Association recorded no transfers in or out of Levels 1, 2, or 3. The Association had no liabilities measured at fair value on a recurring basis for the periods presented.

Valuation Techniques: Accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Associations' assets and liabilities.

Loans Evaluated for Impairment: For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying real estate collateral since the loans were collateral-dependent. The fair value measurement process uses independent appraisals and other market-based information, but in many cases, it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

Loans and Debt Acquired in Merger: At the merger of American AgCredit and Farm Credit Services of the Mountain Plains on January 1, 2012, and the merger with Farm Credit of Southwest Kansas on January 1, 2017 the Association acquired loans receivable and related notes payable. These assets and liabilities were recorded at their fair market value, as determined by discounting the expected future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit risk, on the date of merger. The fair market value has been amortized consistent with generally accepted accounting principles. The values shown in the table above represent the unamortized fair values of the assets and liabilities as of June 30, 2018.

Other Property Owned: Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of other property owned involves the use of independent appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. The Association had no other property owned for the periods presented.

Assets Held in Nonqualified Benefits Trusts: Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through August 9, 2018, which is the date the financial statements were issued, and no material subsequent events were identified.