QUARTERLY REPORT TO STOCKHOLDERS

AMERICAN AGCREDIT

MONEY FOR AGRICULTURE

AS OF SEPTEMBER 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 continues to deliver strong financial results. Even as we invest a portion of our profits to ensure the company's long-term success, we are proud to be able to continue to deliver good financial performance today.

FINANCIAL CONDITION AND RESULTS OF OPERATIONS:

Net Income for the nine months ended September 30, 2018 was $137.2 million compared to $118.8 million for the same period one year ago, an increase of $18.4 million. The increase was due to an $8.0 million increase in net interest income, a $10.2 million increase in patronage income from other Farm Credit institutions, and a $5.1 million increase in miscellaneous income partially offset by a $7.8 million increase in operating expenses. Loan growth continues to be very strong contributing to higher net interest income. Patronage income increased significantly due to a special $6.5 million distribution from CoBank. The increase in miscellaneous income was primarily due to a nonrecurring $5.5 million Farm Credit System Insurance Corporation premium refund. The increase in operating expenses was due primarily to the continued investment in the Association's long-term success. The year-to-date return on average assets through the first three quarters of 2018 was 1.84% compared to 1.71% for the first three quarters of last year and 1.70% for the full twelve months of 2017.

Total loan volume was $9.812 billion at September 30, 2018 an increase of $505 million from $9.307 billion at December 31, 2017. The increase was due to strong organic loan growth partially offset by anticipated seasonal loan payments. On a year-over-year basis, loan volume increased $891 million when compared to September 30, 2017, resulting in a year-over-year growth rate of 9.9%. Credit quality continues to hold up very well despite the challenges currently facing agriculture. Nonaccrual loan volume was $41.1 million at September 30, 2018, an increase of $11.3 million from December 31, 2017. However, nonaccrual loan volume represented just 0.32% of total loan volume at the end of the third quarter compared to 0.33% at September 30, 2017 and 0.32% at December 31, 2017.

The Association's capital position remains very strong. Total members' equity was $2.194 billion at the end of the third quarter, an increase of $163 million from $2.031 billion at December 31, 2017. The increase was primarily due to strong year-to-date earnings along with a $24 million increase in preferred stock. The Association was in compliance with all capital ratio requirements at September 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.

George Fontes	Byron Enix	Vern Zander
Chairman	Chief Executive Officer	Chief Financial Officer

November 9, 2018

Consolidated Statements of Condition *(dollars in thousands)*

	September 30, 2018	December 31, 2017
	(Unaudited)	*(Audited)*
ASSETS		
Loans	$9,812,108	$9,306,922
Less: allowance for loan losses	(20,202)	(19,588)
Net loans	9,791,906	9,287,334
Cash	10,496	51,202
Accrued interest receivable	118,266	80,155
Investment in CoBank	314,931	312,302
Premises and equipment, net	126,478	129,123
Other assets	107,077	104,638
Total assets	**$10,469,154**	**$9,964,754**
LIABILITIES		
Note payable to CoBank	$8,084,012	$7,658,255
Funds Held accounts	84,166	86,599
Accrued interest payable	22,992	20,183
Dividends payable	-	59,818
Other liabilities	83,488	108,896
Total liabilities	**8,274,658**	**7,933,751**
MEMBERS' EQUITY		
Preferred stock	150,800	126,910
Common capital stock and participation certificates	8,807	8,714
Additional paid in capital	656,723	656,723
Unallocated retained surplus	1,391,677	1,254,530
Accumulated other comprehensive loss	(13,511)	(15,874)
Total members' equity	**2,194,496**	**2,031,003**
Total liabilities and members' equity	**$10,469,154**	**$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 September 30,		For the Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
INTEREST INCOME				
Loans	$121,230	$99,689	$339,489	$287,538
Total interest income	**121,230**	**99,689**	**339,489**	**287,538**
INTEREST EXPENSE				
Notes payable CoBank	52,303	35,743	140,088	96,515
Funds Held and other interest	448	296	1,076	727
Total interest expense	**52,751**	**36,039**	**141,164**	**97,242**
Net interest income	**68,479**	**63,650**	**198,325**	**190,296**
Provision for credit losses	(3,320)	(841)	(17)	(2,170)
Net interest income after provision for credit losses	**65,159**	**62,809**	**198,308**	**188,126**
NON-INTEREST INCOME				
Loan origination fees and late charges	2,790	1,611	7,636	6,611
Servicing fees	709	759	2,578	2,653
Patronage distribution from Farm Credit institutions	17,124	9,384	37,596	27,426
Other gains/(losses), net	48	(506)	211	340
Miscellaneous	1,961	2,445	10,760	5,677
Total non-interest income	**22,632**	**13,693**	**58,781**	**42,707**
NON-INTEREST EXPENSES				
Salaries and benefits	25,162	23,898	74,105	69,912
Occupancy and equipment expense	2,700	2,655	7,555	7,763
Insurance fund premiums	1,676	2,579	4,887	7,574
Supervisory and examination expense	654	668	2,177	2,231
Losses on other property owned, net	-	1	3	2
Merger costs	(35)	4	15	65
Other operating expenses	11,492	8,436	31,127	24,529
Total non-interest expenses	**41,649**	**38,241**	**119,869**	**112,076**
Income before income taxes	46,141	38,262	137,219	118,758
Provision for income taxes	-	-	(15)	(4)
Net income	**$46,141**	**$38,262**	**$137,204**	**$118,754**
COMPREHENSIVE INCOME				
Change in retirement obligation	788	339	2,363	1,016
Total comprehensive income	**$46,929**	**$38,601**	**$139,567**	**$119,770**

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

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

For the Nine Months Ended September 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				118,754	1,016	119,770
Stock issued	975	160,489				161,464
Stock retired	(1,010)	(147,619)				(148,629)
Merger adjustments	962		166,159			167,121
Preferred stock dividends paid						-
Preferred stock dividends accrued				(1,001)		(1,001)
Reversal of prior period patronage accrual				2,114		2,114
Balance at September 30, 2017	**$8,732**	**$141,490**	**$656,723**	**$1,274,329**	**($6,790)**	**$2,074,484**
Balance at December 31, 2017	**$8,714**	**$126,910**	**$656,723**	**$1,254,530**	**($15,874)**	**$2,031,003**
Comprehensive income				137,204	2,363	139,567
Stock issued	1,034	204,535				205,569
Stock retired	(941)	(182,591)				(183,532)
Preferred stock dividends paid		1,946				1,946
Preferred stock dividends accrued				(1,937)		(1,937)
Reversal of prior period patronage accrual				1,880		1,880
Balance at September 30, 2018	**$8,807**	**$150,800**	**$656,723**	**$1,391,677**	**($13,511)**	**$2,194,496**

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 third 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 August 2018, the Financial Accounting Standards Board (FASB) issued guidance entitled “Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Cost.” The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this guidance. This guidance becomes effective for interim and annual periods beginning after December 15, 2019. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. Early adoption is permitted. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The Association is evaluating the impact of adoption on the Association’s financial condition and its results of operations.

In August 2018, the FASB issued guidance entitled “Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans.” The guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance becomes effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The guidance is to be applied on a retrospective basis for all periods. The adoption of this guidance will not impact the Association’s financial condition or its results of operations, but will impact the employee benefit plan disclosures.

In August 2018, the FASB issued guidance entitled “Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement.” The guidance modifies the requirements on fair value measurements by removing, modifying or adding to the disclosures. This guidance becomes effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted and an entity is permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The adoption of this guidance will not impact the Association’s financial condition or its results of operations, but will impact the fair value measurements disclosures.

In February 2018, the 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.

Notes to the Consolidated Financial Statements *(continued)*

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 February 2016, the FASB issued guidance entitled "Leases." The guidance requires the recognition by lessees of lease assets and lease liabilities on the balance sheet for the rights and obligations created by those leases. Leases with lease terms of more than 12 months are impacted by this guidance. In July 2018, the FASB issued an update entitled "Leases – Targeted Improvements," which provides entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. An entity that elects this additional transition method must provide the required disclosures of the now current standard for all prior periods presented. The guidance and related amendments in this update become effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The Association has evaluated the impact of this guidance and does not anticipate any material impact on its financial condition and results of operations. The Association is in the process of adopting this guidance.

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 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.

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:

	September 30, 2018		December 31, 2017	
	Amount	Percentage	Amount	Percentage
Real estate mortgage	$5,730,635	58.4%	$5,280,957	56.7%
Production and intermediate-term	1,991,547	20.3%	2,001,070	21.5%
Agribusiness	1,757,668	17.9%	1,718,331	18.5%
Rural infrastructure	290,825	3.0%	279,440	3.0%
Rural residential real estate	3,356	0.1%	4,054	0.1%
Agricultural export finance	38,077	0.3%	23,070	0.2%
Total loans	**$9,812,108**	**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 September 30, 2018:

	Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$220,464	$1,096,698	$33	$0	$220,497	$1,096,698
Production and intermediate-term	355,270	761,769	14,418	-	369,688	761,769
Agribusiness	1,042,040	1,531,703	2,083	-	1,044,123	1,531,703
Rural infrastructure	299,198	8,569	-	-	299,198	8,569
Agricultural export finance	38,077	-	-	-	38,077	-
Total	**$1,955,049**	**$3,398,739**	**$16,534**	**$0**	**$1,971,583**	**$3,398,739**

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.

Notes to the Consolidated Financial Statements *(continued)*

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 September 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 September 30, 2018						
	Acceptable		**OAEM**		**Substandard/Doubtful**		**Total**
	Amount	%	**Amount**	%	**Amount**	%	**Amount**
Real estate mortgage	$5,621,703	96.6%	$121,570	2.1%	$77,086	1.3%	$5,820,359
Production and intermediate-term	1,889,163	93.9%	80,207	4.0%	42,270	2.1%	2,011,640
Agribusiness	1,721,263	97.5%	10,298	0.6%	34,114	1.9%	1,765,675
Rural infrastructure	287,240	98.7%	3,906	1.3%	-	0.0%	291,146
Rural residential real estate	2,868	85.1%	270	8.0%	233	6.9%	3,371
Agricultural export finance	38,183	100.0%	-	0.0%	-	0.0%	38,183
Total	**$9,560,420**	**96.3%**	**$216,251**	**2.2%**	**$153,703**	**1.5%**	**$9,930,374**

	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	0.0%	52,073	3.0%	1,726,344
Rural infrastructure	279,916	100.0%	-	0.0%	-	0.0%	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%	-	0.0%	-	0.0%	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:

	September 30, 2018	December 31, 2017
Nonaccrual loans:		
Real estate mortgage	$17,314	$19,544
Production and intermediate-term	8,586	10,263
Agribusiness	15,196	14
Rural residential real estate	19	28
Total nonaccrual loans	41,115	29,849
Accruing restructured loans:		
Real estate mortgage	11,047	11,421
Total accruing restructured loans	11,047	11,421
Accruing loans > 90 days past due:		
Production and intermediate-term	81	-
Total accruing loans > 90 days past due	81	-
Total impaired loans	**52,243**	**41,270**
Other property owned	-	-
Total impaired assets	**$52,243**	**$41,270**

Additional impaired loan information is as follows:

	At September 30, 2018			For the Nine Months Ended September 30, 2018	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans:					
with a related allowance for credit losses	$8,289	$9,146	$3,596	$4,794	$1
with no related allowance for credit losses	43,954	63,431	-	47,438	2,484
Total	**$52,243**	**$72,577**	**$3,596**	**$52,232**	**$2,485**

	At September 30, 2017			For the Nine Months Ended September 30, 2017	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans:					
with a related allowance for credit losses	$1,735	$1,972	$507	$2,613	$0
with no related allowance for credit losses	41,346	64,241	-	33,738	1,562
Total	**$43,081**	**$66,213**	**$507**	**$36,351**	**$1,562**

Notes to the Consolidated Financial Statements *(continued)*

DELINQUENCY

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

September 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	$4,769	$11,048	$15,817	$5,804,542	$5,820,359
Production and intermediate-term	69	1,136	1,205	2,010,435	2,011,640
Agribusiness	-	-	-	1,765,675	1,765,675
Rural infrastructure	-	-	-	291,146	291,146
Rural residential real estate	-	-	-	3,371	3,371
Agricultural export finance	-	-	-	38,183	38,183
Total	**$4,838**	**$12,184**	**$17,022**	**$9,913,352**	**$9,930,374**

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**

Notes to the Consolidated Financial Statements *(continued)*

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 nine months of 2018 and 2017.

	For the Nine Months Ended Sep. 30, 2018	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Production and intermediate-term	$5,552	$5,552
Total	**$5,552**	**$5,552**

	For the Nine Months Ended Sep. 30, 2017	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:		
Real estate mortgage	$4,133	$4,133
Production and intermediate-term	2,383	2,383
Total	**$6,516**	**$6,516**

*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.

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 September 30, 2018:

	TDRs in Accrual Status		TDRs in Nonaccrual Status		Total TDRs	
	Sep. 30, 2018	**Dec. 31, 2017**	**Sep. 30, 2018**	**Dec. 31, 2017**	**Sep. 30, 2018**	**Dec. 31, 2017**
Real estate mortgage	$11,015	$11,400	$1,398	$2,564	$12,413	$13,964
Production and intermediate-term	-	-	805	825	805	825
Agribusiness	-	-	5,727	-	5,727	-
Total	**$11,015**	**$11,400**	**$7,930**	**$3,389**	**$18,945**	**$14,789**

Additional commitments to lend to borrowers whose loans have been modified in TDRs were $499 thousand at period end.

Notes to the Consolidated Financial Statements *(continued)*

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 Sep. 30, 2018	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	**Balance at Sep. 30, 2018**	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$4,813	$0	$4,813	$5,820,359	$28,361	$5,791,998
Production and intermediate-term	7,714	553	7,161	2,011,640	8,667	2,002,973
Agribusiness	6,943	3,043	3,900	1,765,675	15,196	1,750,479
Rural infrastructure	537	-	537	291,146	-	291,146
Rural residential real estate	3	-	3	3,371	19	3,352
Agricultural export finance	192	-	192	38,183	-	38,183
Total	**$20,202**	**$3,596**	**$16,606**	**$9,930,374**	**$52,243**	**$9,878,131**

	Allowance for Loan Losses			Recorded Investments in Loans Outstanding		
	Balance at Dec. 31, 2017	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	**Balance at Dec. 31, 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**

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

	September 30,	
	2018	**2017**
Allowance for Loan Losses		
Balance at beginning of year	$19,588	$19,241
Charge-offs	(1,280)	(3,200)
Recoveries	1,846	516
Provision for loan losses	48	2,675
Balance at end of quarter	**$20,202**	**$19,232**

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 September 30, 2018. The Association exceeded all regulatory minimum capital requirements as of September 30, 2018.

	Regulatory Minimums	Capital Conservation Buffer	Total	As of September 30, 2018
Common Equity Tier 1 Capital	4.5%	2.5%*	7.0%	**15.01%**
Tier 1 Capital	6.0%	2.5%*	8.5%	**15.01%**
Total Capital	8.0%	2.5%*	10.5%	**15.18%**
Permanent Capital	7.0%	0.0%	7.0%	**16.49%**
Tier 1 Leverage	4.0%	1.0%	5.0%	**17.18%**
URE and UREE Leverage	1.5%	0.0%	1.5%	**17.58%**

*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 September 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 September 30, 2018, there were 150,799,863 shares of H Stock issued and outstanding. The dividend rate at September 30, 2018 was 1.85%.

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	2,363	2,363
Net current period other comprehensive income	2,363	2,363
Balance at September 30, 2018	**($13,511)**	**($13,511)**

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	1,016	1,016
Net current period other comprehensive income	1,016	1,016
Balance at September 30, 2017	**($6,790)**	**($6,790)**

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

	For the Nine Months Ended		Location of Gain/(Loss) Recognized in Statement of Income
	Sep. 30, 2018	Sep. 30, 2017	
Pension and other benefit plans:			
Net actuarial gain/(loss)	$2,363	$1,016	Salaries & Benefits
Total amounts reclassified	**$2,363**	**$1,016**	

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.

	September 30, 2018 Fair Value Measurement Using		December 31, 2017 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	$19,386		$17,373	
Measured at fair value on a non-recurring basis:				
Assets:				
Loans		$4,692		$1,754
Loans acquired in Mountain Plains merger		$51,905		$66,024
Loans acquired in SW Kansas merger		$244,593		$297,638
Liabilities:				
Debt acquired in Mountain Plains merger		$52,306		$66,493
Debt acquired in SW Kansas merger		$246,205		$300,417

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 September 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 November 9, 2018, which is the date the financial statements were issued, and no material subsequent events were identified.