QUARTERLY REPORT TO STOCKHOLDERS

AMERICAN AGCREDIT

MONEY FOR AGRICULTURE

AS OF JUNE 30, 2019

Management's Discussion and Analysis

The following discussion summarizes the financial position and results of operations of American AgCredit, ACA and its subsidiaries American AgCredit, FLCA and American AgCredit, PCA (collectively "the Association") as of the second quarter of 2019. This commentary should be read with the accompanying consolidated financial statements and the related notes appearing in this report along with our 2018 Annual Report. The discussion includes significant known trends, commitments, events, or uncertainties that have impacted or are reasonably likely to impact our financial condition and results of operations. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of our Board of Directors.

Our annual and quarterly reports to shareholders are available on our website, www.AgLoan.com, or can be obtained free of charge by calling our corporate headquarters at (707) 545-1200. Additionally, the financial condition and results of operations of CoBank, ACB (CoBank), our funding bank, materially affect the risk associated with shareholder investments in American AgCredit. Shareholders of American AgCredit may obtain copies of CoBank's Quarterly or Annual Report to Shareholders free of charge by accessing CoBank's website, www.CoBank.com, calling (800) 542-8072, or mailing CoBank at 6340 S. Fiddlers Green Circle, Greenwood Village, CO 80111.

As a cooperative, American AgCredit is owned by the members we serve. Our territory extends across a diverse agricultural region that includes parts of California, Kansas, Oklahoma, Colorado, and New Mexico, as well as the state of Nevada. Arguably, the Association has the strongest geographic and commodity diversification within the Farm Credit System.

On February 14, 2019, the boards of American AgCredit and Farm Credit Services of Hawaii approved the terms of an Agreement and Plan of Combination, which allows for the sale of the net assets of Farm Credit Services of Hawaii, ACA to American AgCredit, ACA. The transaction took place on July 1, 2019, and did not materially impact American AgCredit's financial condition or its results of operations.

Forward Looking Statements

Any forward-looking statements in this report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2018 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Commodity Review and Outlook

The Association's commodity mix remains well diversified. Wine grapes & wine and field crops lead our commodity portfolio at 16.8% and 15.8%, respectively, followed by dairies and dairy products at 12.3%, tree fruits & nuts at 10.7%, beef at 9.9%, and forest products at 9.8%. The top six commodities make up 75.3% of the total portfolio with the remaining 24.7% spread over seventeen additional categories, including an "Other" category. The bulk of the Association's wine portfolio continues to be centered in the super- and ultra-premium segments of the wine market. Field crops consist primarily of wheat, corn, soybeans, alfalfa, sorghum, and other grains. Tree fruits & nuts consists primarily of almond orchards in California's Central Valley.

The economic trends in our territory generally follow those of the national economy. The U.S economy has been performing quite well. In July, the current U.S. economic expansion will officially become the longest on record, dating back to 1854. Financial stress for many in agriculture continues to build amid unprecedented uncertainty from trade disputes and weather disasters. The Federal Reserve voted to reduce interest rates by 25 basis points at its July meeting and indicated that additional 2019 interest rate adjustments, if any, would be determined by the relative strength of the U.S. economy.

China recently imposed its latest round of retaliatory tariffs on $60 billion worth of American goods. The tariffs include American wine, which now faces a total tariff rate of 93%, according to the Wine Institute. Approximately 90% of exported U.S. wine comes from California, and that sizable tariff is taking a chunk out of what would be a lucrative market.

Nearly all sectors of agriculture were affected last quarter by the inundation of spring rains that kept farmers out of the fields throughout the U.S. Wet weather also continues to complicate harvest operations for fall-seeded crops like winter wheat. For specialty crops, cold and wet weather has created problems with crop development in California, particularly for strawberries and cherries where significant losses are expected. Dairy margins are improving for the first time since the summer of 2018 and the better demand for milk has improved the outlook for the remainder of the year.

Management's Discussion and Analysis

Loan Portfolio

Total loan volume was $10.6 billion at June 30, 2019 an increase of $416.1 million from $10.2 billion at December 31, 2018. The increase was due to strong organic loan growth partially offset by anticipated seasonal loan repayments. On a year-over-year basis, loan volume increased by $1.2 billion when compared to June 30, 2018, resulting in a year-over-year growth rate of 13.3%. Credit quality continues to hold up very well despite the challenges currently facing agriculture.

In addition to the $10.6 billion of loan and lease volume reported on our balance sheet, we serviced an additional $4.4 billion of loan volume for other institutions as of June 30, 2019.

Nonearning Assets

Nonaccrual loan volume increased by $10.5 million to $49.0 million at June 30, 2019 compared to $38.5 million at December 31, 2018. The change in nonaccrual loan volume was primarily due to transfers to nonaccrual status and disbursements on nonaccrual loans of $32.0 million. This increase was partially offset by $16.0 million year-to-date net repayments on nonaccrual loans and $4.5 million of nonaccrual volume transferred to acquired property during the first quarter of 2019. Nonaccrual loan volume represented just 0.47% of total loan volume at the end of the second quarter compared to 0.56% at June 30, 2018 and 0.38% at December 31, 2018.

Allowance for Credit Losses

The allowance for credit losses is composed of the allowance for loan losses (ALL) and the reserve for unfunded commitments. The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. The appropriate level of allowance for loan losses is determined based on periodic evaluation of factors such as loan loss history, portfolio quality, estimated collateral values, and current economic and environmental conditions. Total allowance for credit losses was $27.6 million at June 30, 2019, which included a $24.7 million allowance for loan losses and a $2.9 million reserve for unfunded commitments. The reserve for unfunded commitments is reported with Other Liabilities on the Consolidated Statements of Condition.

	June 30,	
	2019	**2018**
Allowance for loan losses as a percentage of:		
Loans	0.23%	0.18%
Impaired loans	40.08%	25.59%

Financial Condition and Results of Operations

Net Income for the first six months ended June 30, 2019 was $91.9 million compared to $91.1 million for the same period last year, an increase of $860 thousand. The change in net income was primarily due to the following reasons.

- Net interest income increased by $16.2 million year-over-year due to strong growth in loan volume.
- Provision for loan losses increased by $6.9 million year-over-year primarily due to increase in loan volume.
- Noninterest income increased by $5.2 million year-over-year. The net increase was primarily due to an $8.1 million increase in patronage from other farm credit institutions offset by a $3.4 million decrease in Farm Credit System Insurance Corporation (FCSIC) premium refunds compared to what was recorded a year ago.
- Noninterest expense increased by $13.6 million compared to the same period last year driven by a $5.3 million increase in salaries and benefits and a $6.3 million increase in other operating expenses. The increase in other operating expenses was largely driven by the Association's continued investment in digital strategies to enhance customer experience.

Management's Discussion and Analysis

	For the Six Months Ended June 30, 2019	June 30, 2018	Increase (Decrease) in Net Income
Net interest income	$145,948	$129,846	$16,102
(Provision for)/Reversal of credit losses	(3,568)	3,303	(6,871)
Patronage income	28,603	20,472	8,131
Other income, net	12,813	15,677	(2,864)
Operating expenses	(91,856)	(78,220)	(13,636)
Provision for income taxes	(18)	(16)	(2)
Net income	**$91,922**	**$91,062**	**$860**

The following table shows the Association's year-to-date annualized return on average assets, return on equity, and net interest margin.

	June 30, 2019	2018
Return on average assets	1.67%	1.86%
Return on equity	8.39%	8.61%
Net interest margin	2.81%	2.82%

Liquidity and Funding

Liquidity is necessary to meet our financial obligations, such as paying our note with CoBank, funding loans and other commitments, and funding operations in a low cost manner. Our liquidity policy is intended to manage short-term cash flow, maximize debt reductions, and liquidate nonearning assets. Our direct loan with CoBank, cash on hand, and borrower loan repayments provide adequate liquidity to fund our ongoing operations and other commitments.

Members' Equity

The Association's capital position remains very strong. Total members' equity was $2.235 billion at the end of the second quarter, an increase of $118.7 million from $2.116 billion at December 31, 2018. The increase was primarily due to strong year-to-date earnings along with a $27.2 million increase in preferred stock. The Association was in compliance with all capital ratio requirements at June 30, 2019. 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.

Certification

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
Chairman

Byron Enix
Chief Executive Officer

Vern Zander
Chief Financial Officer

August 9, 2019

Consolidated Statements of Condition *(dollars in thousands)*

	June 30, 2019	December 31, 2018
	(Unaudited)	*(Audited)*
ASSETS		
Loans	$10,630,843	$10,214,774
Less: allowance for loan losses	(24,713)	(21,359)
Net loans	10,606,130	10,193,415
Cash	9,554	47,482
Accrued interest receivable	113,105	98,197
Investment in CoBank	341,996	339,519
Premises and equipment, net	127,523	125,602
Mission-related investments	1,027	180
Other property owned	4,779	-
Other assets	113,256	109,600
Total assets	**$11,317,370**	**$10,913,995**
LIABILITIES		
Notes payable to CoBank	$8,851,722	$8,485,129
Funds Held accounts	112,787	94,491
Accrued interest payable	27,680	23,020
Cash patronage and preferred stock dividends payable	-	86,222
Other liabilities	90,559	109,213
Total liabilities	**9,082,748**	**8,798,075**
MEMBERS' EQUITY		
Preferred stock	152,979	125,766
Common stock and participation certificates	8,984	8,791
Additional paid-in capital	656,723	656,723
Unallocated retained surplus	1,427,024	1,336,892
Accumulated other comprehensive loss	(11,088)	(12,252)
Total members' equity	**2,234,622**	**2,115,920**
Total liabilities and members' equity	**$11,317,370**	**$10,913,995**

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,	
	2019	**2018**	**2019**	**2018**
INTEREST INCOME				
Loans	$138,848	$111,907	$274,733	$218,259
Total interest income	**138,848**	**111,907**	**274,733**	**218,259**
INTEREST EXPENSE				
Notes payable CoBank	64,902	46,909	127,533	87,785
Funds Held and other interest	658	374	1,252	628
Total interest expense	**65,560**	**47,283**	**128,785**	**88,413**
Net interest income	**73,288**	**64,624**	**145,948**	**129,846**
(Provision for)/Reversal of credit losses	(2,482)	1,256	(3,568)	3,303
Net interest income after provision for credit losses	**70,806**	**65,880**	**142,380**	**133,149**
NON-INTEREST INCOME				
Loan origination fees and late charges	2,841	2,651	4,268	4,846
Servicing fees	636	993	2,089	1,869
Patronage distributions from Farm Credit institutions	15,194	10,196	28,603	20,472
Other (losses)/gains, net	(219)	63	98	163
Miscellaneous	1,805	1,581	6,358	8,799
Total non-interest income	**20,257**	**15,484**	**41,416**	**36,149**
NON-INTEREST EXPENSES				
Salaries and benefits	27,164	25,331	54,263	48,943
Occupancy and equipment expense	3,228	2,390	6,388	4,855
Insurance fund premiums	1,882	1,604	3,712	3,211
Supervisory and examination expense	781	761	1,532	1,523
Losses on other property owned, net	6	3	7	3
Merger costs	15	-	37	50
Other operating expenses	13,100	10,208	25,917	19,635
Total non-interest expenses	**46,176**	**40,297**	**91,856**	**78,220**
Income before income taxes	44,887	41,067	91,940	91,078
Provision for income taxes	(2)	(3)	(18)	(16)
Net income	**$44,885**	**$41,064**	**$91,922**	**$91,062**
COMPREHENSIVE INCOME				
Actuarial gain in retirement obligation	582	788	1,164	1,575
Total comprehensive income	**$45,467**	**$41,852**	**$93,086**	**$92,637**

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, 2018 and 2019

(Unaudited)	Stock and Participation Certificates	Preferred Stock	Additional Paid-in Capital	Unallocated Retained Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
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
Common stock/participation certificates issued	822	175,205				176,027
Common stock/participation certificates 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**
Balance at December 31, 2018	**$8,791**	**$125,766**	**$656,723**	**$1,336,892**	**$(12,252)**	**$2,115,920**
Comprehensive income				91,922	1,164	93,086
Common stock/participation certificates issued	522	125,313				125,835
Common stock/participation certificates retired	(329)	(99,888)				(100,217)
Preferred stock dividends paid		1,788				1,788
Preferred stock dividends accrued				(1,790)		(1,790)
Balance at June 30, 2019	**$8,984**	**$152,979**	**$656,723**	**$1,427,024**	**$(11,088)**	**$2,234,622**

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 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, 2018 are contained in the 2018 Annual Report to Stockholders (2018 Annual Report). The financial statements were prepared under the oversight of the audit committee of the board of directors.

On February 14, 2019, the boards of American AgCredit and Farm Credit Services of Hawaii approved the terms of an Agreement and Plan of Combination, which allows for the sale of the net assets of Farm Credit Services of Hawaii, ACA to American AgCredit, ACA. The transaction took place on July 1, 2019, and did not materially impact American AgCredit's financial condition or its results of operations.

The accompanying unaudited second quarter 2019 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, 2018 as contained in the 2018 Annual Report.

In the opinion of management, this 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, 2019. Descriptions of the significant accounting policies are included in the 2018 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 April 2019, the FASB issued guidance entitled "Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments." Among other targeted changes, the guidance makes available several accounting policies related to the treatment of accrued interest with respect to the pending current expected credit losses (CECL) accounting standard. The Association is evaluating the impact of adoption of this standard on its financial condition and results of operations.

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, which became effective for interim and annual periods beginning after December 15, 2018. The Association adopted this guidance on January 1, 2019. The adoption of this guidance did not materially impact the Association's financial condition or its results of operations but did impact lease disclosures.

Refer to Note 2 in our 2018 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 of these standards on its financial condition and results of operations.

NOTE 2 – LOANS AND ALLOWANCE FOR LOAN LOSSES

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

	June 30, 2019		December 31, 2018	
	Amount	Percentage	Amount	Percentage
Real estate mortgage	$5,982,442	56.3%	$5,833,468	57.1%
Production and intermediate-term	2,290,341	21.5%	2,227,848	21.8%
Agribusiness	1,990,684	18.7%	1,823,927	17.9%
Rural infrastructure	326,710	3.1%	288,646	2.8%
Agricultural export finance	38,080	0.4%	38,078	0.4%
Rural residential real estate	2,586	0.0%	2,807	0.0%
Total loans	**$10,630,843**	**100.0%**	**$10,214,774**	**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, 2019:

	Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$262,513	$1,249,494	$0	$0	$262,513	$1,249,494
Production and intermediate-term	423,136	734,398	-	-	423,136	734,398
Agribusiness	1,191,522	1,546,917	1,310	-	1,192,832	1,546,917
Rural infrastructure	294,823	68,161	-	-	294,823	68,161
Agricultural export finance	38,080	-	-	-	38,080	-
Total	**$2,210,074**	**$3,598,970**	**$1,310**	**$0**	**$2,211,384**	**$3,598,970**

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 June 30, 2019, 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, 2019						
	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	%	Amount	%	Amount	%	Amount
Real estate mortgage	$5,809,988	95.8%	$173,483	2.9%	$79,982	1.3%	$6,063,453
Production and intermediate-term	2,163,853	93.6%	111,707	4.8%	36,149	1.6%	2,311,709
Agribusiness	1,966,613	98.3%	14,005	0.7%	20,044	1.0%	2,000,662
Rural infrastructure	323,070	98.8%	-	0.0%	4,078	1.2%	327,148
Rural residential real estate	2,353	90.6%	87	3.4%	157	6.0%	2,597
Agricultural export finance	38,379	100.0%	-	0.0%	-	0.0%	38,379
Total	**$10,304,256**	**95.9%**	**$299,282**	**2.8%**	**$140,410**	**1.3%**	**$10,743,948**

	As of December 31, 2018						
	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	%	Amount	%	Amount	%	Amount
Real estate mortgage	$5,696,650	96.5%	$120,512	2.0%	$86,422	1.5%	$5,903,583
Production and intermediate-term	2,132,822	94.9%	72,580	3.2%	41,065	1.8%	2,246,466
Agribusiness	1,797,837	98.1%	410	0.0%	34,414	1.9%	1,832,662
Rural infrastructure	285,264	98.7%	3,788	1.3%	-	0.0%	289,052
Rural residential real estate	2,502	88.8%	90	3.2%	227	8.0%	2,818
Agricultural export finance	38,389	100.0%	-	0.0%	-	0.0%	38,389
Total	**$9,953,464**	**96.5%**	**$197,380**	**1.9%**	**$162,127**	**1.6%**	**$10,312,971**

Notes to the Consolidated Financial Statements *(continued)*

IMPAIRED ASSETS

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

	June 30, 2019	December 31, 2018
Nonaccrual loans:		
Real estate mortgage	$25,071	$16,132
Production and intermediate-term	10,983	7,905
Agribusiness	12,885	14,491
Rural residential real estate	12	16
Total nonaccrual loans	48,951	38,544
Accruing restructured loans:		
Real estate mortgage	10,626	10,903
Total accruing restructured loans	10,626	10,903
Accruing loans > 90 days past due:		
Real estate mortgage	1,852	348
Production and intermediate-term	172	-
Agribusiness	52	-
Total accruing loans > 90 days past due	2,076	348
Total impaired loans	**61,653**	**49,795**
Other property owned	4,779	-
Total impaired assets	**$66,432**	**$49,795**

Additional impaired loan information is as follows:

	At June 30, 2019			For the Six Months Ended June 30, 2019	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans:					
with a related allowance for credit losses	$10,763	$12,105	$4,710	$7,963	$11
with no related allowance for credit losses	50,890	72,782	-	43,218	2,176
Total	**$61,653**	**$84,887**	**$4,710**	**$51,181**	**$2,187**

	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**

DELINQUENCY

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

June 30, 2019	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	$4,643	$10,666	$15,309	$6,048,144	$6,063,453
Production and intermediate-term	2,032	5,165	7,197	2,304,512	2,311,709
Agribusiness	2,473	52	2,525	1,998,137	2,000,662
Rural infrastructure	-	-	-	327,148	327,148
Rural residential real estate	-	-	-	2,597	2,597
Agricultural export finance	-	-	-	38,379	38,379
Total	**$9,148**	**$15,883**	**$25,031**	**$10,718,917**	**$10,743,948**

December 31, 2018	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans
Real estate mortgage	$22,002	$13,058	$35,060	$5,868,452	$5,903,512
Production and intermediate-term	9,840	507	10,347	2,236,191	2,246,538
Agribusiness	954	-	954	1,831,708	1,832,662
Rural infrastructure	-	-	-	289,052	289,052
Rural residential real estate	125	-	125	2,693	2,818
Agricultural export finance	-	-	-	38,389	38,389
Total	**$32,921**	**$13,565**	**$46,486**	**$10,266,485**	**$10,312,971**

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 Association had no TDRs in the first six months of 2019. The following table presents additional information regarding TDRs, whether accrual or non-accrual, that occurred during the first six months 2018.

	For the Six Months Ended Jun. 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.

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, 2019:

	TDRs in Accrual Status		TDRs in Nonaccrual Status		Total TDRs	
	Jun. 30, 2019	**Dec. 31, 2018**	**Jun. 30, 2019**	**Dec. 31, 2018**	**Jun. 30, 2019**	**Dec. 31, 2018**
Real estate mortgage	$10,601	$10,881	$1,072	$1,238	$11,673	$12,119
Production and intermediate-term	-	-	518	801	518	801
Agribusiness	-	-	5,247	5,359	5,247	5,359
Total	**$10,601**	**$10,881**	**$6,837**	**$7,398**	**$17,438**	**$18,279**

Additional commitments to lend to borrowers whose loans have been modified in TDRs were $744 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 Jun. 30, 2019	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	**Balance at Jun. 30, 2019**	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$5,716	$0	$5,716	$6,063,453	$37,549	$6,025,904
Production and intermediate-term	10,638	1,667	8,971	2,311,709	11,155	2,300,554
Agribusiness	7,585	3,043	4,542	2,000,662	12,937	1,987,725
Rural infrastructure	578	-	578	327,148	-	327,148
Rural residential real estate	2	-	2	2,597	12	2,585
Agricultural export finance	194	-	194	38,379	-	38,379
Total	**$24,713**	**$4,710**	**$20,003**	**$10,743,948**	**$61,653**	**$10,682,295**

	Allowance for Loan Losses			Recorded Investments in Loans Outstanding		
	Balance at Dec. 31, 2018	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	**Balance at Dec. 31, 2018**	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$5,294	$0	$5,294	$5,903,512	$27,383	$5,876,129
Production and intermediate-term	8,577	739	7,838	2,246,538	7,905	2,238,633
Agribusiness	6,789	3,043	3,746	1,832,662	14,491	1,818,171
Rural infrastructure	506	-	506	289,052	-	289,052
Rural residential real estate	3	-	3	2,818	16	2,802
Agricultural export finance	190	-	190	38,389	-	38,389
Total	**$21,359**	**$3,782**	**$17,577**	**$10,312,971**	**$49,795**	**$10,263,176**

A summary of the changes in the Allowance for Loan Losses is as follows:

	June 30,	
	2019	**2018**
Allowance for Loan Losses		
Balance at beginning of year	$21,359	$17,525
Charge-offs	(1,077)	(1,205)
Recoveries	930	1,930
Provision for/(Reversal of) loan losses	3,501	(1,436)
Balance at end of quarter	**$24,713**	**$16,814**

Notes to the Consolidated Financial Statements *(continued)*

NOTE 3 – LEASES

The balance sheet effect of operating leases, for office space, and finance leases, for vehicles, are included in premises and equipment and other liabilities on the balance sheet. Right-of-use assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represent the Association's obligation to make lease payments arising from the lease.

The components of lease expense were as follows:

	For the Six Months Ended June 30, 2019
Operating lease cost	$476
Finance lease cost:	
Amortization of right-of-use assets	237
Interest on lease liabilities	22
Lease cost	**$735**

Other information related to leases was as follows:

	For the Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$284
Operating cash flows from finance leases	$22
Financing cash flows from finance leases	$228
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$2,553
Finance leases	$310

Lease term and discount rate are as follows:

	June 30, 2019
Weighted average remaining lease term in years:	
Operating leases	16.3
Finance leases	2.5
Weighted average discount rate:	
Operating leases	2.3%
Finance leases	4.3%

Future minimum lease payments under non-cancellable leases as of June 30, 2019 were as follows:

	Operating Leases	Finance Leases	Total
2019 (excluding the six months ended 6/30/19)	$233	$277	$510
2020	616	401	1,017
2021	590	455	1,045
2022	485	262	747
2023	432	117	549
Thereafter	3,189	-	3,189
Total lease payments	**5,545**	**1,512**	**7,057**
Less: interest	-	(163)	(163)
Total	**$5,545**	**$1,349**	**$6,894**

NOTE 4 – 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 capital requirements and ratios as of June 30, 2019. The Association exceeded all regulatory minimum capital requirements as of June 30, 2019.

	Regulatory Minimums	Capital Conservation Buffer	Total	Jun. 30, 2019	Dec. 31, 2018
Risk-adjusted:					
Common Equity Tier 1 Capital	4.5%	2.5%*	7.0%	**13.80%**	**14.75%**
Tier 1 Capital	6.0%	2.5%*	8.5%	**13.80%**	**14.75%**
Total Capital	8.0%	2.5%*	10.5%	**14.01%**	**14.94%**
Permanent Capital	7.0%	0.0%	7.0%	**15.16%**	**15.99%**
Non-risk-adjusted:					
Tier 1 Leverage	4.0%	1.0%	5.0%	**15.81%**	**16.86%**
URE and UREE Leverage	1.5%	0.0%	1.5%	**16.17%**	**17.24%**

*The 2.5% capital conservation buffer over risk-adjusted ratio minimums is being phased in over three years under the FCA capital requirements. The phase in period ends on December 31, 2019.

Association shareholders have approved a class of preferred stock known as H Stock. At June 30, 2019, 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, 2019, there were 152,978,992 shares of H Stock issued and outstanding. The dividend rate at June 30, 2019 was 2.35%.

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, 2018	**Pension and Other Benefit Plans**	**Accumulated Other Comprehensive Loss**
Other comprehensive loss before reclassifications	$(12,252)	$(12,252)
Amounts reclassified from accumulated other comprehensive loss	1,164	1,164
Net current period other comprehensive income	1,164	1,164
Balance at June 30, 2019	**$(11,088)**	**$(11,088)**

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)**

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. 30, 2019	**Jun. 30, 2018**	
Pension and other benefit plans:			
Net actuarial gain	$1,164	$1,575	Salaries & Benefits
Total amounts reclassified	**$1,164**	**$1,575**	

NOTE 5 – FAIR VALUE MEASUREMENTS

Accounting standards define 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 2018 Annual Report.

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

	June 30, 2019		December 31, 2018	
	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	$19,140		$20,397	
Measured at fair value on a non-recurring basis:				
Assets:				
Loans		$6,053		$6,067
Other Property Owned		$6,200		$0
Loans acquired in Mountain Plains merger		$43,226		$49,480
Loans acquired in SW Kansas merger		$198,204		$224,103
Liabilities:				
Debt acquired in Mountain Plains merger		$43,539		$49,863
Debt acquired in SW Kansas merger		$199,553		$225,525

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 collateral since the loans are collateral-dependent loans for which real estate is the 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 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, 2019.

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.

Notes to the Consolidated Financial Statements *(continued)*

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 6 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through August 9, 2019, which is the date the financial statements were available to be issued.