Quarterly Report to Stockholders

AMERICAN AGCREDIT

MONEY FOR AGRICULTURE

as of September 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 (collectively "the Association") as of the third 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.

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. Loan volume acquired in the transaction amounted to $69.4 million. The transaction took place on July 1, 2019, and did not materially impact American AgCredit's financial condition or its results of operations.

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 states of Nevada and Hawaii. Arguably, the Association has the strongest geographic and commodity diversification within the Farm Credit System.

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 17.5% and 15.4%, respectively, followed by dairies and dairy products at 12.3%, tree fruits & nuts at 11.3%, beef at 9.7%, and forest products at 9.2%. The top six commodities make up 75.4% of the total portfolio with the remaining 24.6% 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 third quarter of 2019 was marked by two rate cuts by the Federal Reserve totaling fifty basis points, the ongoing trade war with China, and increased market and political volatility. Throughout the quarter, the yield on the 10-year Treasury note was below the yield on the three-month Treasury bill, which has resulted in an inverted yield curve with respect to these two securities. Varying maturities of equivalent US government securities have also been inverted. Some economists have pointed historically to inverted yield curves as leading indicators of future economic contraction.

Tariffs continue to create uncertainly regarding the future agriculture economic outlook. The U.S. dollar reached a two-year high in September, which has the potential to exacerbate tariffs imposed by foreign countries and reduce exports. As of September 2019, China indicated it would exempt agriculture products from additional tariffs; however, trade negotiations remain fluid. This, along with other macroeconomic variables, has resulted in continued volatility in U.S. agriculture markets.

Management's Discussion and Analysis

However, the Bureau of Labor Statistics' September Employment Situation Report showed that the unemployment rate fell to 3.5%, marking the 19th consecutive month at or below 4% unemployment and the lowest it has been in fifty years. Domestic large-cap equity securities experienced gains as a whole. The current U.S. economic expansion continues to be the longest on record, dating back to 1854.

For the United States as a whole, summer 2019 weather trended toward heat and wetness. Temperatures within the Association's territory were above average. Rain in California, Nevada, Colorado, and New Mexico was below average through August, while Kansas experienced above-average precipitation. However, sections of western Colorado entered moderate drought conditions, while a small area of western Kansas also experienced worsening drought conditions. California and Nevada remain relatively drought-free.

Following is a summary of economic conditions among the Association's significant commodities:

- California is on track for a healthy 2019 wine grape harvest. Some varietals are oversupplied and there are preliminary concerns that an overall high-yielding harvest could cause decreased pricing due to excess inventory levels.
- National dairy prices continued their increases and are expected to continue increasing through 2020. The Tyson Foods beef processing plant fire in Holcomb, Kansas initially caused concern that decreased slaughter capacity could negatively affect beef supply and margins; however, cash and futures fed cattle prices continue to increase. Tyson expects the plant to be fully operational by the beginning of next year.
- Field crops continue to experience volatility. Planted wheat acres continue to be decreased in favor of corn and soybean production. Planting delays throughout the Corn Belt threaten corn availability for the 2019-20 marketing year. Price signals for most other field crops are among the lowest in recent years.
- The forest product industry continues to inch along with the economic backdrop and many of the macroeconomic leading indicators in the construction industry have slowed. As new orders have softened, so has the price of framing lumber. However, the Association's forest product portfolio remains in good shape and should have the ability to weather a softer market.

Loan Portfolio

Total loan volume exceeded $11.1 billion at September 30, 2019, an increase of $905 million from $10.2 billion at December 31, 2018. The increase was due to strong organic loan growth and the Farm Credit Services of Hawaii transaction, partially offset by anticipated seasonal loan repayments. On a year-over-year basis, loan volume increased by $1.3 billion when compared to September 30, 2018, resulting in a growth rate of 13.3%. Credit quality continues to hold up very well despite the challenges currently facing agriculture.

In addition to the $11.1 billion of loan and lease volume reported on our balance sheet, we serviced an additional $3.8 billion of loan volume for other institutions as of September 30, 2019.

Nonearning Assets

Nonaccrual loan volume increased by $10.7 million to $49.2 million at September 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 of $39.0 million. This increase was partially offset by $20.5 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 0.44% of total loan volume at the end of the third quarter compared to 0.42% at September 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 $26.8 million at September

30, 2019, which included a $23.4 million allowance for loan losses and a $3.4 million reserve for unfunded commitments. The reserve for unfunded commitments is reported with Other Liabilities on the Consolidated Statements of Condition.

	September 30,	
	2019	**2018**
Allowance for loan losses as a percentage of:		
Loans	0.21%	0.21%
Impaired loans	37.96%	38.67%

Financial Condition and Results of Operations

Net Income for the first nine months ended September 30, 2019 was $142.8 million compared to $137.2 million for the same period last year, an increase of $5.6 million. The change in net income was primarily due to the following reasons.

- Net interest income increased by $26.9 million year-over-year due to strong growth in loan volume and the Farm Credit Services of Hawaii transaction.
- Provision for loan losses increased by $3.2 million year-over-year primarily due to an increase in loan volume.
- Noninterest income increased by $2.9 million year-over-year. The net increase was primarily due to a $6.5 million increase in patronage from other farm credit institutions offset by a $3.1 million decrease in Farm Credit System Insurance Corporation (FCSIC) premium refunds compared to the amount recorded in the prior period.
- Noninterest expense increased by $20.9 million compared to the same period last year driven by an $8.4 million increase in salaries and benefits and a $10.6 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.

	For the Nine Months Ended		Increase (Decrease) in
	Sept. 30, 2019	**Sept. 30, 2018**	**Net Income**
Net interest income	$225,244	$198,325	$26,919
(Provision for)/Reversal of credit losses	(3,253)	(17)	(3,236)
Patronage income	44,055	37,596	6,459
Other income, net	17,601	21,184	(3,583)
Operating expenses	(140,787)	(119,869)	(20,918)
Provision for income taxes	(18)	(15)	(3)
Net income	**$142,842**	**$137,204**	**$5,638**

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

	September 30,	
	2019	**2018**
Return on average assets	1.70%	1.84%
Return on equity	8.58%	8.56%
Net interest margin	2.84%	2.84%

Management's Discussion and Analysis

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 $2.311 billion at the end of the third quarter, an increase of $194.9 million from $2.116 billion at December 31, 2018. The increase was primarily due to strong year-to-date earnings along with a $23.8 million increase in preferred stock. The Association was in compliance with all capital ratio requirements at September 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

November 8, 2019

Consolidated Statements of Condition *(dollars in thousands)*

	September 30, 2019	December 31, 2018
	(Unaudited)	*(Audited)*
ASSETS		
Loans	$11,119,785	$10,214,774
Less: allowance for loan losses	(23,373)	(21,359)
Net loans	11,096,412	10,193,415
Cash	14,892	47,482
Accrued interest receivable	139,468	98,197
Investment in CoBank	348,059	339,519
Premises and equipment, net	127,623	125,602
Mission-related investments	1,186	180
Other property owned	4,779	-
Other assets	118,528	109,600
Total assets	**$11,850,947**	**$10,913,995**
LIABILITIES		
Notes payable to CoBank	$9,325,159	$8,485,129
Funds Held accounts	94,217	94,491
Accrued interest payable	24,026	23,020
Cash patronage and preferred stock dividends payable	-	86,222
Other liabilities	96,738	109,213
Total liabilities	**9,540,140**	**8,798,075**
MEMBERS' EQUITY		
Preferred stock	149,581	125,766
Common stock and participation certificates	9,389	8,791
Additional paid-in capital	683,521	656,723
Unallocated retained surplus	1,478,822	1,336,892
Accumulated other comprehensive loss	(10,506)	(12,252)
Total members' equity	**2,310,807**	**2,115,920**
Total liabilities and members' equity	**$11,850,947**	**$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 September 30,		For the Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
INTEREST INCOME				
Loans	$143,445	$121,230	$418,178	$339,489
Total interest income	**143,445**	**121,230**	**418,178**	**339,489**
INTEREST EXPENSE				
Notes payable CoBank	63,503	52,303	191,036	140,088
Funds Held and other interest	646	448	1,898	1,076
Total interest expense	**64,149**	**52,751**	**192,934**	**141,164**
Net interest income	**79,296**	**68,479**	**225,244**	**198,325**
(Provision for)/Reversal of credit losses	315	(3,320)	(3,253)	(17)
Net interest income after provision for credit losses	**79,611**	**65,159**	**221,991**	**198,308**
NON-INTEREST INCOME				
Loan origination fees and late charges	1,944	2,790	6,212	7,636
Servicing fees	679	709	2,768	2,578
Patronage distributions from Farm Credit institutions	15,452	17,124	44,055	37,596
Other (losses)/gains, net	(15)	48	83	211
Miscellaneous	2,180	1,961	8,538	10,759
Total non-interest income	**20,240**	**22,632**	**61,656**	**58,780**
NON-INTEREST EXPENSES				
Salaries and benefits	28,280	25,162	82,543	74,105
Occupancy and equipment expense	2,042	2,700	8,430	7,555
Insurance fund premiums	1,966	1,676	5,678	4,887
Supervisory and examination expense	771	654	2,303	2,177
Losses on other property owned, net	3	-	10	3
Merger costs	53	(35)	90	15
Other operating expenses	15,816	11,492	41,733	31,127
Total non-interest expenses	**48,931**	**41,649**	**140,787**	**119,869**
Income before income taxes	50,920	46,141	142,860	137,219
Provision for income taxes	-	-	(18)	(15)
Net income	**$50,920**	**$46,141**	**$142,842**	**$137,204**
COMPREHENSIVE INCOME				
Actuarial gain in retirement obligation	582	788	1,746	2,363
Total comprehensive income	**$51,502**	**$46,929**	**$144,588**	**$139,567**

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, 2018 and 2019

(Unaudited)	Common 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				137,204	2,363	139,567
Common stock/participation certificates issued	1,034	204,535				205,569
Common stock/participation certificates 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**
Balance at December 31, 2018	**$8,791**	**$125,766**	**$656,723**	**$1,336,892**	**$(12,252)**	**$2,115,920**
Comprehensive income				142,842	1,746	144,588
Common stock/participation certificates issued	779	157,953				158,732
Common stock/participation certificates retired	(482)	(136,741)				(137,223)
Equity issued or recharacterized upon combination	301		26,798			27,099
Preferred stock dividends paid		2,603				2,603
Preferred stock dividends accrued				(2,604)		(2,604)
Reversal of prior period patronage accrual				1,692		1,692
Balance at September 30, 2019	**$9,389**	**$149,581**	**$683,521**	**$1,478,822**	**$(10,506)**	**$2,310,807**

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. Loan volume acquired in the transaction amounted to $69.4 million. 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 third 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:

	September 30, 2019		December 31, 2018	
	Amount	Percentage	Amount	Percentage
Real estate mortgage	$6,284,843	56.5%	$5,833,468	57.1%
Production and intermediate-term	2,465,419	22.2%	2,227,848	21.8%
Agribusiness	1,998,942	18.0%	1,823,927	17.9%
Rural infrastructure	326,518	2.9%	288,646	2.8%
Agricultural export finance	41,556	0.4%	38,078	0.4%
Rural residential real estate	2,507	0.0%	2,807	0.0%
Total loans	**$11,119,785**	**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 September 30, 2019:

	Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$297,809	$1,322,880	$0	$0	$297,809	$1,322,880
Production and intermediate-term	469,976	874,032	-	-	469,976	874,032
Agribusiness	1,197,475	1,563,210	1,047	-	1,198,522	1,563,210
Rural infrastructure	294,523	68,061	-	-	294,523	68,061
Agricultural export finance	41,556	-	-	-	41,556	-
Total	**$2,301,339**	**$3,828,183**	**$1,047**	**$0**	**$2,302,386**	**$3,828,183**

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, 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 September 30, 2019						
	Acceptable		**OAEM**		**Substandard/Doubtful**		**Total**
	Amount	%	**Amount**	%	**Amount**	%	**Amount**
Real estate mortgage	$6,091,377	95.3%	$200,991	3.1%	$96,908	1.5%	$6,389,276
Production and intermediate-term	2,323,080	93.2%	122,678	4.9%	45,484	1.8%	2,491,242
Agribusiness	1,968,305	98.0%	20,063	1.0%	19,350	1.0%	2,007,718
Rural infrastructure	322,840	98.8%	-	0.0%	3,988	1.2%	326,828
Rural residential real estate	2,276	90.5%	86	3.4%	153	6.1%	2,515
Agricultural export finance	41,674	100.0%	-	0.0%	-	0.0%	41,674
Total	**$10,749,552**	**95.5%**	**$343,818**	**3.1%**	**$165,883**	**1.5%**	**$11,259,253**

	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:

	September 30, 2019	December 31, 2018
Nonaccrual loans:		
Real estate mortgage	$28,972	$16,132
Production and intermediate-term	7,804	7,905
Agribusiness	12,309	14,491
Rural residential real estate	129	16
Total nonaccrual loans	49,214	38,544
Accruing restructured loans:		
Real estate mortgage	11,603	10,903
Total accruing restructured loans	11,603	10,903
Accruing loans > 90 days past due:		
Real estate mortgage	551	348
Production and intermediate-term	207	-
Agribusiness	-	-
Total accruing loans > 90 days past due	758	348
Total impaired loans	**61,575**	**49,795**
Other property owned	4,779	-
Total impaired assets	**$66,354**	**$49,795**

Additional impaired loan information is as follows:

	At September 30, 2019			For the Nine Months Ended September 30, 2019	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans:					
with a related allowance for credit losses	$5,534	$6,115	$1,613	$11,553	$20
with no related allowance for credit losses	56,041	78,073	-	69,859	2,666
Total	**$61,575**	**$84,188**	**$1,613**	**$81,412**	**$2,686**

	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**

DELINQUENCY

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

September 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	$14,081	$10,555	$24,636	$6,364,640	$6,389,276
Production and intermediate-term	552	4,612	5,164	2,486,078	2,491,242
Agribusiness	-	-	-	2,007,717	2,007,717
Rural infrastructure	-	-	-	326,828	326,828
Rural residential real estate	-	120	120	2,396	2,516
Agricultural export finance	-	-	-	41,674	41,674
Total	**$14,633**	**$15,287**	**$29,920**	**$11,229,333**	**$11,259,253**

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 new TDRs in the first nine months of 2019. The following table presents additional information regarding TDRs, whether accrual or non-accrual, that occurred during the first nine months 2018.

	For the Nine Months Ended Sept. 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**

*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, 2019:

	TDRs in Accrual Status		TDRs in Nonaccrual Status		Total TDRs	
	Sept. 30, 2019	**Dec. 31, 2018**	**Sept. 30, 2019**	**Dec. 31, 2018**	**Sept. 30, 2019**	**Dec. 31, 2018**
Real estate mortgage	$11,570	$10,881	$2,307	$1,238	$13,877	$12,119
Production and intermediate-term	-	-	446	801	446	801
Agribusiness	-	-	5,029	5,359	5,029	5,359
Total	**$11,570**	**$10,881**	**$7,782**	**$7,398**	**$19,352**	**$18,279**

Additional commitments to lend to borrowers whose loans have been modified in TDRs were $706 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 Sept. 30, 2019	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	**Balance at Sept. 30, 2019**	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Real estate mortgage	$6,294	$0	$6,294	$6,389,276	$41,125	$6,348,151
Production and intermediate-term	10,578	226	10,352	2,491,242	8,012	2,483,230
Agribusiness	5,737	1,387	4,350	2,007,717	12,309	1,995,408
Rural infrastructure	573	-	573	326,828	-	326,828
Rural residential real estate	2	-	2	2,516	129	2,387
Agricultural export finance	189	-	189	41,674	-	41,674
Total	**$23,373**	**$1,613**	**$21,760**	**$11,259,253**	**$61,575**	**$11,197,678**

	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:

	September 30,	
	2019	**2018**
Allowance for Loan Losses		
Balance at beginning of year	$21,359	$17,525
Balance adjustment due to combination	1,400	-
Charge-offs	(3,276)	(1,205)
Recoveries	1,203	1,930
Provision for/(Reversal of) loan losses	2,687	(1,436)
Balance at end of quarter	**$23,373**	**$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 Nine Months Ended September 30, 2019
Operating lease cost	$695
Finance lease cost:	
Amortization of right-of-use assets	358
Interest on lease liabilities	38
Lease cost	**$1,091**

Other information related to leases was as follows:

	For the Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$456
Operating cash flows from finance leases	$38
Financing cash flows from finance leases	$352
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$2,553
Finance leases	$433

Lease term and discount rate are as follows:

	September 30, 2019
Weighted average remaining lease term in years:	
Operating leases	16.4
Finance leases	2.4
Weighted average discount rate:	
Operating leases	2.3%
Finance leases	4.3%

Notes to the Consolidated Financial Statements *(continued)*

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

	Operating Leases	Finance Leases	Total
2019 (excluding the nine months ended 9/30/19)	$139	$237	$376
2020	707	420	1,127
2021	681	472	1,153
2022	577	276	853
2023	478	94	572
Thereafter	3,189	-	3,189
Total lease payments	**5,771**	**1,499**	**7,270**
Less: interest	-	(149)	(149)
Total	**$5,771**	**$1,350**	**$7,121**

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 September 30, 2019. The Association exceeded all regulatory minimum capital requirements as of September 30, 2019.

	Regulatory Minimums	Capital Conservation Buffer	Total	Sept. 30, 2019	Dec. 31, 2018
Risk-adjusted:					
Common Equity Tier 1 Capital	4.5%	2.5%*	7.0%	**13.65%**	**14.75%**
Tier 1 Capital	6.0%	2.5%*	8.5%	**13.65%**	**14.75%**
Total Capital	8.0%	2.5%*	10.5%	**13.88%**	**14.94%**
Permanent Capital	7.0%	0.0%	7.0%	**14.93%**	**15.99%**
Non-risk-adjusted:					
Tier 1 Leverage	4.0%	1.0%	5.0%	**15.66%**	**16.86%**
URE and UREE Leverage	1.5%	0.0%	1.5%	**16.01%**	**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 September 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 September 30, 2019, there were 149,580,627 shares of H Stock issued and outstanding. The dividend rate at September 30, 2019 was 2.10%.

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)	$(12,252)
Amounts reclassified from accumulated other comprehensive loss	1,746	1,746
Net current period other comprehensive income	1,746	1,746
Balance at September 30, 2019	**$(10,506)**	**$(10,506)**

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)**

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**
	Sept. 30, 2019	**Sept. 30, 2018**	
Pension and other benefit plans:			
Net actuarial gain	$1,746	$2,363	Salaries & Benefits
Total amounts reclassified	**$1,746**	**$2,363**	

Notes to the Consolidated Financial Statements *(continued)*

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:

	September 30, 2019 Fair Value Measurement Using		December 31, 2018 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	$19,883		$20,397	
Measured at fair value on a non-recurring basis:				
Assets:				
Loans		$3,921		$6,067
Other Property Owned		$6,200		$0
Loans acquired in Mountain Plains merger		$38,675		$49,480
Loans acquired in SW Kansas merger		$181,864		$224,103
Liabilities:				
Debt acquired in Mountain Plains merger		$38,962		$49,863
Debt acquired in SW Kansas merger		$183,059		$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 September 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 November 8, 2019, which is the date the financial statements were available to be issued.