Quarterly Report
June 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Mid-America, ACA and its subsidiaries Farm Credit Mid-America, FLCA and Farm Credit Mid-America, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2017 (2017 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (AgriBank), the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of the AgriBank or the AgriBank District financial reports or additional copies of our report, contact us at:

Farm Credit Mid-America, ACA
P.O Box 34390
Louisville, KY 40232
(800) 444-FARM
www.e-farmcredit.com

AgriBank, FCB
30 East 7th Street, Suite 1600
St. Paul, MN 55101
(651) 282-8800
www.agribank.com
financialreporting@agribank.com

FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly 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 2017 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.

AGRICULTURAL AND ECONOMIC CONDITIONS

Low commodity prices continue to stress net farm earnings creating tight or negative margins for many grain and livestock producers. Recent actions involving foreign trade have led to increased volatility in commodity prices.

The overall economy is sound with modest job and wage growth, low unemployment and overall inflation near the Federal Reserve target of 2%.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $20.3 billion at June 30, 2018, a decrease of $33.0 million from December 31, 2017. The decrease is primarily due to decreased volume in production and intermediate-term loans and rural residential real estate loans.

Portfolio Credit Quality

The credit quality of our portfolio declined slightly from December 31, 2017. Adversely classified loans increased to 4.2% of the portfolio at June 30, 2018, from 3.9% of the portfolio at December 31, 2017. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

Risk Assets

Components of Risk Assets

(dollars in thousands) **As of:**		**June 30** **2018**		December 31 2017
Loans:				
Non-accrual	**$**	**330,784**	$	320,724
Accruing restructured		**19,709**		18,964
Accruing loans 90 days or more past due		**1,367**		440
Total risk loans		**351,860**		340,128
Other property owned		**7,828**		5,479
Total risk assets	**$**	**359,688**	$	345,607
Total risk loans as a percentage of total loans		**1.7%**		1.7%
Non-accrual loans as a percentage of total loans		**1.6%**		1.6%
Current non-accrual loans as a percentage of total non-accrual loans		**63.2%**		67.0%
Total delinquencies as a percentage of total loans		**0.9%**		0.7%

Note: Accruing loans include accrued interest receivable.

Our risk assets have increased from December 31, 2017, but have remained at acceptable levels. Despite the increase in risk assets, total risk loans as a percentage of total loans were well within our prudent risk management parameters.

The increase in non-accrual loans was primarily due to several large loans that previously were accruing 90 days past due being moved to non-accrual during the second quarter. Non-accrual loans remained at an acceptable level at June 30, 2018, and December 31, 2017.

Our accounting policy requires loans past due 90 days or more to be transferred into non-accrual status unless adequately secured and a plan is in place to collect past due amounts. Based on our analysis, accruing loans 90 days or more past due were eligible to remain in accruing status.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Allowance Coverage Ratios

As of:	**June 30** **2018**	December 31 2017
Allowance as a percentage of:		
Loans	**0.5%**	0.5%
Non-accrual loans	**29.9%**	32.3%
Total risk loans	**28.1%**	30.5%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at June 30, 2018.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) **For the six months ended June 30**		**2018**		2017
Net income	**$**	**192,355**	$	148,000
Return on average assets		**1.73%**		1.32%
Return on average members' equity		**8.48%**		6.97%

Changes presented in the chart above relate directly to:

- Changes in income discussed below
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Funding, Liquidity, and Capital section

Changes in Significant Components of Net Income

(in thousands) For the six months ended June 30	2018	2017	Increase (decrease) in net income
Net interest income *	$ 237,472	$ 230,817	$ 6,655
(Reversal of) provision for credit losses	(1,383)	27,564	28,947
Patronage income	35,759	33,930	1,829
Other income, net	33,233	16,823	16,410
Operating expenses	111,313	110,503	(810)
Provision for (benefit from) income taxes	4,179	(4,497)	(8,676)
Net income	$ 192,355	$ 148,000	$ 44,355

The change in the (reversal of) provision for credit losses was related to shifts in economic conditions related to production and intermediate-term loans.

The change in other income was primarily due to our share of distributions from Allocated Insurance Reserve Accounts (AIRA) of $12.6 million. The AIRA was established by the Farm Credit System Insurance Corporation (FCSIC) when premiums collected increased the level of the Insurance Fund beyond the required 2% of insured debt. There was no distribution in 2017. Refer to the 2017 Annual Report for additional information about the FCSIC. There was also operating lease income that was recognized on a lease that was previously delinquent.

The change in provision for (benefit from) income taxes was primarily related to increased income attributable to our taxable entity.

* The changes in net interest income are shown below:

Changes in Net Interest Income

(in thousands) For the six months ended June 30	2018 vs 2017
Changes in volume	$ 3,225
Changes in interest rates	1,871
Changes in non-accrual income and other	1,559
Net change	$ 6,655

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matures on April 30, 2020, at which time the note will be renegotiated. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from unallocated surplus.

The components of cost of funds associated with our note payable include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

We were not subject to a risk premium at June 30, 2018, or December 31, 2017.

Total members' equity increased $127.1 million from December 31, 2017, primarily due to net income for the period partially offset by patronage distribution accruals. Accumulated other comprehensive loss is the impact of prior service cost and unamortized actuarial gain/loss related to the Pension Restoration Plan. Refer to Note 10 in our 2017 Annual Report for more information on the Pension Restoration Plan.

The Farm Credit Administration (FCA) Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents. Refer to Note 8 in our 2017 Annual Report for a more complete description of these ratios.

Select Capital Ratios

As of:	June 30 2018	December 31 2017	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**20.7%**	19.7%	4.5%	2.5%*	7.0%
Tier 1 capital ratio	**20.7%**	19.7%	6.0%	2.5%*	8.5%
Total capital ratio	**21.2%**	20.3%	8.0%	2.5%*	10.5%
Permanent capital ratio	**20.8%**	19.8%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**19.1%**	18.3%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**19.2%**	18.4%	1.5%	N/A	1.5%

*The capital conservation buffer over risk-adjusted ratio minimums continues to be phased in under the Farm Credit Administration capital requirements, up to 2.5% beginning in 2020.

The capital adequacy ratios are directly impacted by the changes in capital as more fully explained in this section and the changes in assets as discussed in the Loan Portfolio section.

RELATIONSHIP WITH AGRIBANK

Purchased Services

During 2016, District associations and AgriBank conducted research related to repositioning many business services offered by AgriBank into a separate entity jointly owned by AgriBank and participating associations. The long-term strategic objective of this initiative is to increase scale, improve operating efficiency, and enhance technology and business services. The proposed service entity will be named SunStream Business Services. An application to form the service entity was submitted to the FCA for approval in May 2017, and the FCA continues its due diligence on the charter request.

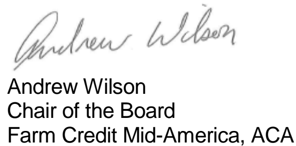
REGULATORY MATTERS

Investment Securities Eligibility

In May 2018, the FCA Board approved a final rule to revise the requirements governing the eligibility of investment securities for System Banks and associations. The new regulation revises the eligibility purpose, type, and amount of investments that a System association may hold. The regulation is effective January 1, 2019. We are currently working to update policies, procedures, and other documentation to ensure compliance by the effective date. We do not expect the regulation to have a material impact on our financial statements.

CERTIFICATION

The undersigned have reviewed the June 30, 2018, Quarterly Report of Farm Credit Mid-America, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.



Andrew Wilson
Chair of the Board
Farm Credit Mid-America, ACA

William L. Johnson
President and Chief Executive Officer
Farm Credit Mid-America, ACA

Steve Zagar
Senior Vice President Chief Financial Officer
Farm Credit Mid-America, ACA

August 9, 2018

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

As of:	June 30 2018	December 31 2017
ASSETS		
Loans	**$ 20,284,900**	$ 20,317,926
Allowance for loan losses	**98,795**	103,658
Net loans	**20,186,105**	20,214,268
Investment in AgriBank, FCB	**432,315**	441,703
Investment securities	**1,378,462**	1,242,448
Accrued interest receivable	**171,794**	180,246
Other property owned	**7,828**	5,479
Assets held for lease, net	**165,850**	173,059
Other assets	**195,173**	215,186
Total assets	**$ 22,537,527**	$ 22,472,389
LIABILITIES		
Note payable to AgriBank, FCB	**$ 17,689,812**	$ 17,708,345
Accrued interest payable	**111,487**	100,160
Deferred tax liabilities, net	**38,002**	36,388
Patronage distribution payable	**65,428**	87,900
Other liabilities	**44,039**	77,960
Total liabilities	**17,948,768**	18,010,753
Contingencies and commitments (Note 5)		
MEMBERS' EQUITY		
Capital stock and participation certificates	**79,942**	81,474
Unallocated surplus	**4,509,790**	4,381,202
Accumulated other comprehensive loss	**(973)**	(1,040)
Total members' equity	**4,588,759**	4,461,636
Total liabilities and members' equity	**$ 22,537,527**	$ 22,472,389

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Farm Credit Mid-America, ACA

(in thousands)

(Unaudited)

	Three Months Ended		Six Months Ended	
For the period ended June 30	**2018**	2017	**2018**	2017
Interest income	**$ 229,456**	$ 214,058	**$ 453,472**	$ 423,406
Interest expense	**111,496**	98,441	**216,000**	192,589
Net interest income	**117,960**	115,617	**237,472**	230,817
Provision for (reversal of) credit losses	**3,107**	25,681	**(1,383)**	27,564
Net interest income after provision for (reversal of) credit losses	**114,853**	89,936	**238,855**	203,253
Other income				
Patronage income	**18,314**	16,744	**35,759**	33,930
Financially related services income	**453**	411	**1,079**	1,230
Fee income	**7,134**	7,479	**12,806**	14,776
Operating lease income	**1,685**	2,047	**7,443**	2,027
Other property owned losses, net	**(98)**	(272)	**(284)**	(2,048)
Allocated insurance reserve accounts distribution	**--**	--	**12,556**	--
Miscellaneous (loss) income, net	**(470)**	(96)	**(367)**	838
Total other income	**27,018**	26,313	**68,992**	50,753
Operating expenses				
Salaries and employee benefits	**35,900**	35,335	**71,513**	68,758
Other operating expenses	**20,810**	21,134	**39,800**	41,745
Total operating expenses	**56,710**	56,469	**111,313**	110,503
Income before income taxes	**85,161**	59,780	**196,534**	143,503
Provision for (benefit from) income taxes	**1,580**	(3,396)	**4,179**	(4,497)
Net income	**$ 83,581**	$ 63,176	**$ 192,355**	$ 148,000
Other comprehensive income				
Employee benefit plans activity	**$ 33**	$ --	**$ 67**	$ --
Total other comprehensive income	**33**	--	**67**	--
Comprehensive income	**$ 83,614**	$ 63,176	**$ 192,422**	$ 148,000

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Mid-America, ACA

(in thousands)

(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2016	$ 84,561	$ 4,088,041	$ --	$ 4,172,602
Net income	--	148,000	--	148,000
Unallocated surplus designated for patronage distributions	--	(19,778)	--	(19,778)
Capital stock and participation certificates issued	1,801	--	--	1,801
Capital stock and participation certificates retired	(3,368)	--	--	(3,368)
Balance at June 30, 2017	$ 82,994	$ 4,216,263	$ --	$ 4,299,257
Balance at December 31, 2017	$ 81,474	$ 4,381,202	$ (1,040)	$ 4,461,636
Net income	**--**	**192,355**	**--**	**192,355**
Other comprehensive income	**--**	**--**	**67**	**67**
Unallocated surplus designated for patronage distributions	**--**	**(63,767)**	**--**	**(63,767)**
Capital stock and participation certificates issued	**1,791**	**--**	**--**	**1,791**
Capital stock and participation certificates retired	**(3,323)**	**--**	**--**	**(3,323)**
Balance at June 30, 2018	**$ 79,942**	**$ 4,509,790**	**$ (973)**	**$ 4,588,759**

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. Our accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the six months ended June 30, 2018, are not necessarily indicative of the results to be expected for the year ending December 31, 2018. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2017 (2017 Annual Report).

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

The Consolidated Financial Statements present the consolidated financial results of Farm Credit Mid-America, ACA (the Association) and its subsidiaries Farm Credit Mid-America, FLCA and Farm Credit Mid-America, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standards to be applicable to our business. While we are a nonpublic entity, we generally adopt on the public entity required date to align with other Farm Credit System institutions. For recently issued and adopted accounting pronouncements disclosed, we plan to adopt on the public entity effective date.

Standard and effective date	Description	Adoption status and financial statement impact
In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09 "Revenue from Contracts with Customers." This guidance was effective for public entities on January 1, 2018.	The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of 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 guidance. The guidance sets forth the requirement for new and enhanced disclosures.	We adopted this guidance on January 1, 2018, using the modified retrospective approach, 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 financial condition, results of operations, equity, or cash flows.
In March 2017, the FASB issued ASU 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost." This guidance was effective for public entities on January 1, 2018.	This guidance requires that an employer disaggregate the service cost component from the other components of net benefit cost. Specifically, the guidance requires non-service cost components of net benefit cost to be recognized in a non-operating income line item of the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization.	We adopted this guidance on January 1, 2018. Non-service cost components of net benefit cost were reclassified from salaries and employee benefits to other operating expenses on the Statements of Comprehensive Income. The change in classification was not material. There were no changes to the Association's financial condition, cash flows, or financial statement disclosures.
In January 2016, the FASB issued ASU 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities." This guidance was effective for public business entities on January 1, 2018.	The guidance is intended to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The amendments address certain aspects of recognition, measurement, presentation, and disclosure of financial statements.	We adopted this guidance on January 1, 2018. The adoption of this guidance did not impact our financial condition, results of operations or cash flows, but did impact the Association's fair value disclosures.
In February 2016, the FASB issued ASU 2016-02 "Leases." The guidance is effective for public entities in its first quarter of 2019 and early adoption is permitted.	The guidance modifies the recognition and accounting for lessees and lessors and requires expanded disclosures regarding assumptions used to recognize revenue and expenses related to leases. When this guidance is adopted, a liability for lease obligations and a corresponding right-of-use asset will be recognized on the Consolidated Statements of Condition for all lease arrangements spanning more than 12 months.	We have no plans to early adopt this guidance. We are in the process of implementing a leasing software, drafting accounting policies, and designing processes and controls to implement this standard. The necessary disclosures will be determined during 2018. We have determined after preliminary review, this guidance will impact the financial condition, results of operations, and financial statement disclosures, and will have no impact on cash flows.

Standard and effective date	Description	Adoption status and financial statement impact
In June 2016, the FASB issued ASU 2016-13 "Financial Instruments – Credit Losses." This guidance is effective for public business entities for non-U.S. Securities Exchange Commission filers for the first quarter of 2021 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	We have no plans to early adopt this guidance. We are in the process of reviewing the standard. Significant implementation matters yet to be addressed include system selection, drafting of accounting policies and disclosures, designing processes and controls. We are currently unable to estimate the impact on the financial statements.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	**June 30, 2018**		December 31, 2017	
	Amount	%	Amount	%
Real estate mortgage	**$ 14,041,010**	**69.2%**	$ 14,044,676	69.1%
Production and intermediate-term	**3,497,093**	**17.2%**	3,605,111	17.7%
Agribusiness	**1,562,616**	**7.7%**	1,444,163	7.1%
Rural residential real estate	**882,914**	**4.4%**	914,528	4.5%
Finance leases and other	**301,267**	**1.5%**	309,448	1.6%
Total	**$ 20,284,900**	**100.0%**	$ 20,317,926	100.0%

The other category is primarily comprised of finance leases, communication, and energy related loans, and certain assets originated under the mission related investment authority.

Delinquency

Aging Analysis of Loans

(in thousands) **As of June 30, 2018**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$ 44,845**	**$ 54,309**	**$ 99,154**	**$ 14,055,940**	**$ 14,155,094**	**$ 1,116**
Production and intermediate-term	**42,300**	**22,386**	**64,686**	**3,472,446**	**3,537,132**	**251**
Agribusiness	**684**	**61**	**745**	**1,568,615**	**1,569,360**	**--**
Rural residential real estate	**8,520**	**2,479**	**10,999**	**874,481**	**885,480**	**--**
Finance leases and other	**765**	**1,607**	**2,372**	**299,149**	**301,521**	**--**
Total	**$ 97,114**	**$ 80,842**	**$ 177,956**	**$ 20,270,631**	**$ 20,448,587**	**$ 1,367**

As of 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	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 49,924	$ 45,197	$ 95,121	$ 14,066,043	$ 14,161,164	$ --
Production and intermediate-term	9,454	20,392	29,846	3,622,005	3,651,851	440
Agribusiness	59	--	59	1,450,895	1,450,954	--
Rural residential real estate	9,660	3,412	13,072	904,037	917,109	--
Finance leases and other	--	1,811	1,811	307,956	309,767	--
Total	$ 69,097	$ 70,812	$ 139,909	$ 20,350,936	$ 20,490,845	$ 440

Note: Accruing loans include accrued interest receivable.

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

Risk Loan Information

(in thousands) **As of:**	**June 30 2018**	December 31 2017
Volume with specific allowance	**$ 28,742**	$ 37,273
Volume without specific allowance	**323,118**	302,855
Total risk loans	**$ 351,860**	$ 340,128
Total specific allowance	**$ 12,371**	$ 15,977
For the six months ended June 30	**2018**	2017
Income on accrual risk loans	**$ 519**	$ 413
Income on non-accrual loans	**7,706**	6,147
Total income on risk loans	**$ 8,225**	$ 6,560
Average risk loans	**$ 342,475**	$ 322,352

Note: Accruing loans include accrued interest receivable.

We did not have any material commitments to lend additional money to borrowers whose loans were classified as risk loans at June 30, 2018.

Troubled Debt Restructurings (TDRs)

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a restructured loan. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as TDRs are considered risk loans. All risk loans are analyzed within our allowance for loan losses. We record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral.

TDR Activity

(in thousands) **Six months ended June 30**	**2018**		2017	
	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	**$ 334**	**$ 331**	$ 504	$ 447
Production and intermediate-term	**412**	**412**	702	706
Rural residential real estate	**--**	**--**	4	3
Total	**$ 746**	**$ 743**	$ 1,210	$ 1,156

Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. The recorded investment of the loan is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off.

The primary types of modification included extension of maturity and interest rate reduction below market.

TDRs that Occurred Within the Previous 12 Months that Subsequently Defaulted During the Six Months Ended June 30

(in thousands)	**2018**	2017
Real estate mortgage	**$ 117**	$ 67
Production and intermediate-term	**10**	19
Total	**$ 127**	$ 86

TDRs Outstanding

(in thousands) **As of:**		**June 30** **2018**		December 31 2017
Accrual status:				
Real estate mortgage	**$**	**15,851**	$	14,699
Production and intermediate-term		**2,304**		2,729
Rural residential real estate		**1,518**		1,536
Finance leases and other		**36**		--
Total TDRs in accrual status	**$**	**19,709**	$	18,964
Non-accrual status:				
Real estate mortgage	**$**	**6,791**	$	8,710
Production and intermediate-term		**2,520**		2,671
Rural residential real estate		**1,123**		1,176
Finance leases and other		**--**		--
Total TDRs in non-accrual status	**$**	**10,434**	$	12,557
Total TDRs:				
Real estate mortgage	**$**	**22,642**	$	23,409
Production and intermediate-term		**4,824**		5,400
Rural residential real estate		**2,641**		2,712
Finance leases and other		**36**		--
Total TDRs	**$**	**30,143**	$	31,521

There were no material commitments to lend to borrowers whose loans have been modified in a TDR at June 30, 2018.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) **Six months ended June 30**		**2018**		2017
Balance at beginning of period	**$**	**103,658**	$	94,746
(Reversal of) provision for loan losses		**(684)**		27,440
Loan recoveries		**1,648**		2,319
Loan charge-offs		**(5,827)**		(10,237)
Balance at end of period	**$**	**98,795**	$	114,268

The "Provision (reversal of) for credit losses" in the Consolidated Statements of Comprehensive Income includes a (reversal of) provision for loan losses as presented in the previous chart, as well as a (reversal of) provision for credit losses on unfunded commitments. The accrued credit losses on unfunded commitments are recorded in "Other liabilities" in the Consolidated Statements of Condition.

Credit Loss Information on Unfunded Commitments

(in thousands) For the six months ended June 30		**2018**		2017
(Reversal of) provision for credit losses	**$**	**(699)**	$	124
As of:		**June 30** **2018**		December 31 2017
Accrued credit losses	**$**	**6,467**	$	7,165

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $1.4 billion at June 30, 2018, and $1.2 billion at December 31, 2017. Our investment securities consisted of:

- Securities containing loans guaranteed by the Small Business Administration (SBA)
- Investment securities made up of Farm Service Agency securities (FSA)
- Securities issued by the United States Department of Agriculture (USDA)

All of our investment securities, except for $7.2 million at June 30, 2018, and $7.3 million at December 31, 2017, were fully guaranteed by the SBA, Farmer Mac, FSA, or USDA.

The investment securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. No investments within the portfolio were impaired as of June 30, 2018, and December 31, 2017.

Our investments are either mortgage-backed securities (MBS), which are generally longer-term investments, or asset-backed securities (ABS), which are generally shorter-term investments. SBA, FSA, and USDA guaranteed investments may be comprised of either MBS or ABS.

Additional Investment Securities Information

(dollars in thousands) **As of June 30, 2018**	Weighted Average Yield	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
MBS	**3.4%**	**$ 1,095,632**	**$ 3,391**	**$ 47,350**	**$ 1,051,673**
ABS	**2.9%**	**282,830**	**245**	**19,801**	**263,274**
Total	**3.3%**	**$ 1,378,462**	**$ 3,636**	**$ 67,151**	**$ 1,314,947**

As of December 31, 2017	Weighted Average Yield	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
MBS	3.0%	$ 1,062,574	$ 3,871	$ 43,456	$ 1,022,989
ABS	2.5%	179,874	420	9,610	170,684
Total	2.9%	$ 1,242,448	$ 4,291	$ 53,066	$ 1,193,673

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $20.5 million and $15.4 million for the six months ended June 30, 2018, and 2017, respectively.

Contractual Maturities of Investment Securities

(in thousands) **As of June 30, 2018**	Amortized Cost
Less than one year	**$ 3,908**
One to five years	**27,610**
Five to ten years	**100,375**
More than ten years	**1,246,569**
Total	**$ 1,378,462**

A summary of investments in an unrealized loss position presented by the length of time the investments have been in continuous unrealized loss position follows:

(in thousands)	Less than 12 months		Greater than 12 months	
As of June 30, 2018	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS	**$ 268,224**	**$ 18,668**	**$ 506,440**	**$ 28,682**
ABS	**118,129**	**12,424**	**131,568**	**7,377**
Total	**$ 386,353**	**$ 31,092**	**$ 638,008**	**$ 36,059**

	Less than 12 months		Greater than 12 months	
As of December 31, 2017	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS	$ 251,935	$ 17,172	$ 482,596	$ 26,284
ABS	26,866	2,375	122,157	7,235
Total	$ 278,801	$ 19,547	$ 604,753	$ 33,519

Unrealized losses associated with investment securities are not considered to be other-than-temporary due to the 100% guarantee of the principal by the U.S. government. However, the premiums paid to purchase the investment are not guaranteed and are amortized over the weighted average maturity of each loan as a reduction of interest income. Repayment of principal is assessed at least quarterly, and any remaining unamortized premium is taken as a reduction to interest income if principal repayment is unlikely, or when a demand for payment is made for the guarantee. At June 30, 2018, the majority of the $67.2 million unrealized loss represents unamortized premium.

NOTE 4: OTHER INVESTMENTS

We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). Our total commitment is $32.5 million with varying commitment end dates through September 2021. Certain commitments may have an option to extend under certain circumstances. Our investment in the RBICs are recorded in “Other assets” in the Consolidated Statements of Condition, and totaled $13.3 million at June 30, 2018, and $11.9 million at December 31, 2017.

The investments was were evaluated for impairment. No investments were impaired as of June 30, 2018, and December 31, 2017.

NOTE 5: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

NOTE 6: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. Refer to Note 2 in our 2017 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at June 30, 2018, or December 31, 2017.

Non-Recurring

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-recurring Basis

(in thousands)

	As of June 30, 2018			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	**$ --**	**$ --**	**$ 17,189**	**$ 17,189**
Other property owned	**--**	**--**	**8,298**	**8,298**

	As of December 31, 2017			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$ 22,361	$ 22,361
Other property owned	--	--	5,808	5,808

Valuation Techniques

Impaired loans: Represents the carrying amount and related write-downs of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses independent appraisals and other market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they are classified as Level 3.

Other property owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses independent appraisals and other market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 7: SUBSEQUENT EVENTS

We have evaluated subsequent events through August 9, 2018, which is the date the Consolidated Financial Statements were available to be issued.

There have been no material subsequent events that would require recognition in our 2018 Consolidated Financial Statements or disclosures in the Notes to Consolidated Financial Statements, except for the sale of a portion of our leasing portfolio to Farm Credit Leasing (FCL) in July 2018.

In July 2018, we sold $59.6 million of lease volume to FCL. We simultaneously purchased approximately a 51.6% interest in the cash flows of the leases sold in the form of loan participations.

There have been no other material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.