Quarterly Report
March 31, 2019

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, 2018 (2018 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 AgriBank 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 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.

AGRICULTURAL AND ECONOMIC CONDITIONS

The United States Department of Agriculture (USDA) forecasts net farm income to increase $6.3 billion (10.0%) from 2018 levels to $69.4 billion in 2019. This follows a $12.0 billion (16.0%) decline forecast to 2018. Net cash farm income is forecast to increase $4.3 billion (4.7%) to $95.7 billion. Cash receipts for all commodities are forecast to increase $8.6 billion (2.3%) to $381.5 billion in 2019. Total animal/animal product receipts are expected to increase $4.6 billion (2.6%) following expected increases in milk and cattle/calf receipts. Total crop receipts are expected to increase $4.0 billion (2.0%) from 2018 forecast levels following expected increases in corn and fruit/nuts receipts. Direct government farm payments are forecast to decrease $2.3 billion (16.8%) to $11.5 billion in 2019, with most of the decrease due to lower anticipated payments for Agriculture Risk Coverage, Price Loss Coverage and miscellaneous programs (which include Market Facilitation Program payments to assist farmers in response to trade disruptions). Farm sector equity is forecast up by $28.8 billion (1.1%) to $2.7 trillion in 2019. Farm assets are forecast to increase by $44.6 billion (1.5%) to $3.1 trillion in 2019, reflecting an anticipated 1.8% rise in farm sector real estate value. Farm debt is forecast to increase by $15.8 billion (3.9%) to $426.7 billion, led by an expected 5.1% rise in real estate debt. The farm sector debt-to-asset ratio is expected to rise from 13.55% in 2018 to 13.86% in 2019. Working capital is forecast to decline almost 25% from 2018. Source: "Highlights From the March 2019 Farm Income Forecast", USDA Economic Research Service (ERS).

LOAN PORTFOLIO

Loan Portfolio

Total loans were $22.3 billion at March 31, 2019, a decrease of $47.0 million from December 31, 2018. The decrease was primarily due to expected seasonal loan repayments on production and intermediate-term loans, partially offset by increased volume in agribusiness loans.

Portfolio Credit Quality

The credit quality of our portfolio remained stable from December 31, 2018. Adversely classified loans were 3.5% of the portfolio at March 31, 2019, and December 31, 2018. 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:**		**March 31** **2019**		December 31 2018
Loans:				
Non-accrual	**$**	**268,836**	$	282,559
Accruing restructured		**19,632**		19,698
Accruing loans 90 days or more past due		**29,057**		18,843
Total risk loans		**317,525**		321,100
Other property owned		**7,542**		10,081
Total risk assets	**$**	**325,067**	$	331,181
Total risk loans as a percentage of total loans		**1.4%**		1.5%
Non-accrual loans as a percentage of total loans		**1.2%**		1.3%
Current non-accrual loans as a percentage of total nonaccrual loans		**64.3%**		70.6%
Total delinquencies as a percentage of total loans		**1.3%**		0.9%

Note: Accruing loans include accrued interest receivable.

Our risk assets have decreased from December 31, 2018, and have remained at acceptable levels. Total risk loans as a percentage of total loans were well within our established risk management parameters.

The decrease in non-accrual loans was primarily due to a continued focus to proactively address financially challenged accounts leading to timely resolutions. Non-accrual loans remained at an acceptable level at March 31, 2019, and December 31, 2018.

The decrease in accruing restructured loans was primarily due to continued efforts to restructure financially challenged accounts.

The increase in accruing loans 90 days or more past due was primarily due to the reclassification of financial instruments containing credit guarantees from the USDA and the Small Business Administration (SBA) previously classified as Investment Securities. Our accounting policy requires loans past due 90 days or more to be transferred into non-accrual status unless adequately secured and in the process of collection. 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 inherent 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:	**March 31** **2019**	December 31 2018
Allowance as a percentage of:		
Loans	**0.5%**	0.5%
Non-accrual loans	**38.3%**	36.6%
Total risk loans	**32.4%**	33.8%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at March 31, 2019.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) **For the three months ended March 31**		**2019**		2018
Net income	**$**	**94,610**	$	108,774
Return on average assets		**1.61%**		1.95%
Return on average members' equity		**7.97%**		9.67%

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 three months ended March 31**	**2019**	2018	**Increase (decrease) in net income**
Net interest income	**$ 126,607**	$ 119,512	**$ 7,095**
Provision for (reversal of) loan credit losses	**1,752**	(4,490)	**(6,242)**
Patronage income	**18,321**	17,445	**876**
Other income, net	**11,623**	24,529	**(12,906)**
Operating expenses	**58,172**	54,603	**(3,569)**
Provision for income taxes	**2,017**	2,599	**582**
Net income	**$ 94,610**	$ 108,774	**$ (14,164)**

The changes in net interest income are shown below:

Changes in Net Interest Income

(in thousands) **For the three months ended March 31**	**2019 vs 2018**
Changes in volume	**$ 7,224**
Changes in interest rates	**(483)**
Changes in non-accrual income and other	**354**
Net change	**$ 7,095**

The change in the provision for (reversal of) loan credit losses was related to increased general reserves as a result of increased loan volume. Additionally, the reversal of provision expense in March 2018 was primarily driven by the reduction of specific reserves on 3 large loans.

The changes in patronage income are shown below:

Patronage Income

(in thousands) **For the three months ended March 31**	**2019**	2018
Wholesale patronage	**$ 15,543**	$ 14,763
Pool program patronage	**1,232**	1,243
AgDirect partnership distribution	**1,228**	1,073
Other Farm Credit Institutions	**318**	366
Total patronage income	**$ 18,321**	$ 17,445

The change in other income, net was primarily due to our share of the Allocated Insurance Reserve Accounts (AIRA) distribution received from the Farm Credit System Insurance Corporation (FCSIC) of $4.9 million in 2019, compared to $12.6 million in 2018. The AIRA was established by FCSIC when premiums collected increased the level of the Insurance Fund beyond the required 2% of insured debt. Refer to the 2018 Annual Report for additional information about the FCSIC.

The change in operating expenses was primarily related to increases in employee expenses and increased spending on Association branding initiatives.

The change in provision for income taxes was primarily related to lower income for our taxable entity.

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 March 31, 2019, or December 31, 2018.

Total members' equity increased $61.4 million from December 31, 2018, primarily due to net income for the period, partially offset by patronage distribution accruals and a decrease in capital stock and participation certificates. 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 2018 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 leverage. Refer to Note 8 in our 2018 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	**March 31 2019**	December 31 2018	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**20.6%**	20.9%	4.5%	2.5%*	7.0%
Tier 1 capital ratio	**20.6%**	20.9%	6.0%	2.5%*	8.5%
Total capital ratio	**21.1%**	21.4%	8.0%	2.5%*	10.5%
Permanent capital ratio	**20.7%**	21.0%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**18.8%**	19.2%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**18.9%**	19.3%	1.5%	N/A	1.5%

*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.

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.

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 went into effect January 1, 2019. We have updated our policies, procedures, and other documentation to ensure compliance with the new regulation.

The Association has historically included financial instruments which contained credit guarantees from the USDA and SBA as "Investment securities" in the Consolidated Statements of Condition. These financial instruments have included guaranteed portions of individual loans, guaranteed portions of loan pools, and/or guaranteed investment securities whose underlying collateral is comprised of individual loans and/or loan pools.

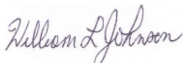
The new FCA regulations have revised the requirements governing the eligibility of investment securities for System banks and associations. To maintain alignment with these new regulations, effective January 1, 2019, we reclassified certain financial instruments from "Investment securities" to "Loans" in the Consolidated Statements of Condition. Accordingly, beginning with reporting periods in 2019, to conform to the presentation effective January 1, 2019, we reclassified from "Investment securities" to "Loans'" amounts totaling $1.4 billion and $1.1 billion for the comparative periods as of December 31, 2018 and 2017, respectively.

All such financial instruments held by the Association as of March 31, 2019, have been and continue to be eligible financial instruments pursuant to previous and the revised FCA regulations.

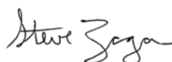
CERTIFICATION

The undersigned have reviewed the March 31, 2019, 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 and Chief Financial Officer
Farm Credit Mid-America, ACA

May 10, 2019

CONSOLIDATED STATEMENTS OF CONDITION

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

As of:	March 31 2019	December 31 2018
ASSETS		
Loans	**$ 22,270,968**	$ 22,317,940
Allowance for loan losses	**103,026**	103,549
Net loans	**22,167,942**	22,214,391
Investment in AgriBank, FCB	**447,046**	442,516
Investment securities	**519,116**	90,911
Accrued interest receivable	**192,009**	200,200
Other property owned	**7,542**	10,081
Assets held for lease, net	**125,723**	135,276
Other assets	**248,934**	267,165
Total assets	**$ 23,708,312**	$ 23,360,540
LIABILITIES		
Note payable to AgriBank, FCB	**$ 18,634,177**	$ 18,294,059
Accrued interest payable	**128,802**	122,797
Deferred tax liabilities, net	**24,526**	26,889
Patronage distribution payable	**34,541**	146,023
Other liabilities	**117,076**	62,969
Total liabilities	**18,939,122**	18,652,737
Contingencies and commitments (Note 5)		
MEMBERS' EQUITY		
Capital stock and participation certificates	**77,562**	78,260
Unallocated surplus	**4,692,501**	4,630,441
Accumulated other comprehensive loss	**(873)**	(898)
Total members' equity	**4,769,190**	4,707,803
Total liabilities and members' equity	**$ 23,708,312**	$ 23,360,540

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	
For the period ended March 31	**2019**	2018
Interest income	**$ 255,483**	$ 224,016
Interest expense	**128,876**	104,504
Net interest income	**126,607**	119,512
Provision for (reversal of) loan credit losses	**1,752**	(4,490)
Net interest income after provision for (reversal of) loan credit losses	**124,855**	124,002
Other income		
Patronage income	**18,321**	17,445
Financially related services income	**521**	626
Fee income	**5,821**	5,672
Operating lease income	**1,056**	5,758
Other property owned losses, net	**(988)**	(186)
Allocated Insurance Reserve Accounts distribution	**4,922**	12,556
Miscellaneous income, net	**291**	103
Total other income	**29,944**	41,974
Operating expenses		
Salaries and employee benefits	**36,762**	35,613
Other operating expenses	**21,410**	18,990
Total operating expenses	**58,172**	54,603
Income before income taxes	**96,627**	111,373
Provision for income taxes	**2,017**	2,599
Net income	**$ 94,610**	$ 108,774
Other comprehensive income		
Employee benefit plans activity	**$ 25**	$ 34
Total other comprehensive income	**25**	34
Comprehensive income	**$ 94,635**	$ 108,808

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, 2017	$ 81,474	$ 4,381,202	$ (1,040)	$ 4,461,636
Net income	--	108,774	--	108,774
Other comprehensive income	--	--	34	34
Unallocated surplus designated for patronage distributions	--	(35,427)	--	(35,427)
Capital stock and participation certificates issued	731	--	--	731
Capital stock and participation certificates retired	(1,657)	--	--	(1,657)
Balance at March 31, 2018	$ 80,548	$ 4,454,549	$ (1,006)	$ 4,534,091
Balance at December 31, 2018	$ 78,260	$ 4,630,441	$ (898)	$ 4,707,803
Net income	**--**	**94,610**	**--**	**94,610**
Other comprehensive income	**--**	**--**	**25**	**25**
Unallocated surplus designated for patronage distributions	**--**	**(32,542)**	**--**	**(32,542)**
Cumulative effect of change in accounting principle	**--**	**(8)**	**--**	**(8)**
Capital stock and participation certificates issued	**799**	**--**	**--**	**799**
Capital stock and participation certificates retired	**(1,497)**	**--**	**--**	**(1,497)**
Balance at March 31, 2019	**$ 77,562**	**$ 4,692,501**	**$ (873)**	**$ 4,769,190**

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 Statements of Condition and Consolidated Statements of Comprehensive Income. 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 three months ended March 31, 2019, are not necessarily indicative of the results to be expected for the year ending December 31, 2019. 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, 2018 (2018 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, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements on the public business entities effective date or aligned with other System institutions, whichever is earlier.

Standard and effective date	Description	Adoption status and financial statement impact
In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02 "Leases." In July 2018, the FASB issued ASU 2018-11 "Leases (Topic 842): Targeted Improvements." The guidance is effective for public business 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. The guidance includes an optional transition method where an entity is permitted to apply the guidance as of the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings.	We adopted this guidance on January 1, 2018, using the modified retrospective approach, as the majority of our 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, or cash flows.
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 have reviewed the accounting standard and are in the process of drafting disclosures. Significant implementation matters yet to be addressed include system development and testing, drafting of accounting policies, and 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:	**March 31, 2019**		December 31, 2018	
	Amount	%	Amount	%
Real estate mortgage	**$ 14,193,142**	**63.7%**	$ 14,208,338	63.7%
Production and intermediate-term	**3,657,173**	**16.4%**	3,847,499	17.2%
Agribusiness	**1,914,725**	**8.6%**	1,732,270	7.8%
Rural residential real estate	**865,760**	**3.9%**	877,138	3.9%
Finance leases and other	**1,640,168**	**7.4%**	1,652,695	7.4%
Total	**$ 22,270,968**	**100.0%**	$ 22,317,940	100.0%

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

Delinquency

Aging Analysis of Loans

(in thousands) **As of March 31, 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	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$ 84,022**	**$ 39,958**	**$ 123,980**	**$ 14,184,315**	**$ 14,308,295**	**$ 1,164**
Production and intermediate-term	**45,942**	**26,763**	**72,705**	**3,636,420**	**3,709,125**	**1,149**
Agribusiness	**--**	**833**	**833**	**1,923,533**	**1,924,366**	**766**
Finance leases and other	**60,892**	**29,586**	**90,478**	**2,426,600**	**2,517,078**	**25,978**
Total	**$ 190,856**	**$ 97,140**	**$ 287,996**	**$ 22,170,868**	**$ 22,458,864**	**$ 29,057**

As of 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	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 56,287	$ 31,891	$ 88,178	$ 14,245,787	$ 14,333,965	$ 1,725
Production and intermediate-term	25,087	25,743	50,830	3,850,396	3,901,226	2,397
Agribusiness	8	66	74	1,741,561	1,741,635	--
Rural residential real estate	6,814	3,327	10,141	869,639	879,780	75
Finance leases and other	39,646	14,783	54,429	1,605,948	1,660,377	14,646
Total	$ 127,842	$ 75,810	$ 203,652	$ 22,313,331	$ 22,516,983	$ 18,843

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:**	**March 31 2019**	December 31 2018
Volume with specific allowance	**$ 21,503**	$ 22,720
Volume without specific allowance	**296,022**	298,380
Total risk loans	**$ 317,525**	$ 321,100
Total specific allowance	**$ 10,399**	$ 11,680
For the three months ended March 31	**2019**	2018
Income on accrual risk loans	**$ 386**	$ 274
Income on non-accrual loans	**4,026**	3,671
Total income on risk loans	**$ 4,412**	$ 3,945
Average risk loans	**$ 309,514**	$ 336,658

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 March 31, 2019.

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) **Three months ended March 31**	**2019**		2018	
	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	**$ 2,028**	**$ 2,028**	$ 173	$ 173
Production and intermediate-term	**1,650**	**1,650**	359	359
Total	**$ 3,678**	**$ 3,678**	$ 532	$ 532

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 in 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 forgiveness of interest and principal and interest rate reduction below market.

We had TDRs in the real estate mortgage loan category of $66 thousand that defaulted during the three months ended March 31, 2019 in which the modifications were within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) **As of:**	**March 31 2019**	December 31 2018
Accrual status:		
Real estate mortgage	**$ 15,488**	$ 15,967
Production and intermediate-term	**2,794**	2,226
Rural residential real estate	**1,350**	1,505
Total TDRs in accrual status	**$ 19,632**	$ 19,698
Non-accrual status:		
Real estate mortgage	**$ 14,166**	$ 13,187
Production and intermediate-term	**3,539**	3,060
Rural residential real estate	**841**	907
Total TDRs in non-accrual status	**$ 18,546**	$ 17,154
Total TDRs:		
Real estate mortgage	**$ 29,654**	$ 29,154
Production and intermediate-term	**6,333**	5,286
Rural residential real estate	**2,191**	2,412
Total TDRs	**$ 38,178**	$ 36,852

There were no material commitments to lend to borrowers whose loans have been modified in a TDR at March 31, 2019.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) **Three months ended March 31**	**2019**	2018
Balance at beginning of period	**$ 103,549**	$ 103,658
Provision for (reversal of) loan losses	**860**	(4,026)
Loan recoveries	**633**	894
Loan charge-offs	**(2,016)**	(3,872)
Balance at end of period	**$ 103,026**	$ 96,654

The “Provision for (reversal of) credit losses” in the Consolidated Statements of Comprehensive Income includes a provision for (reversal of) loan losses as presented in the previous chart, as well as a provision for (reversal of) 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 three months ended March 31**	**2019**	2018
Provision for (reversal of) credit losses	**$ 892**	$ (464)
As of:	**March 31 2019**	December 31 2018
Accrued credit losses	**$ 7,341**	$ 6,449

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $519.1 million at March 31, 2019, and $90.9 million at December 31, 2018.

All of our investment securities, except $6.9 million at March 31, 2019, compared to $7.0 million at December 31, 2018, were fully guaranteed by the SBA.

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 March 31, 2019, and December 31, 2018.

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 guaranteed investments may be composed of either MBS or ABS.

Additional Investment Securities Information

(dollars in thousands) **As of March 31, 2019**	Weighted Average Yield	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
MBS	**3.6%**	**$ 327,049**	**$ 3,215**	**$ 2,071**	**$ 328,193**
ABS	**3.4%**	**192,067**	**620**	**1,833**	**190,854**
Total	**3.5%**	**$ 519,116**	**$ 3,835**	**$ 3,904**	**$ 519,047**
As of December 31, 2018	Weighted Average Yield	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
MBS	3.2%	$ 86,290	$ 2,388	$ 371	$ 88,307
ABS	4.1%	4,621	89	1	$ 4,709
Total	3.3%	$ 90,911	$ 2,477	$ 372	$ 93,016

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $2.3 million and $928 thousand for the three months ended March 31, 2019, and 2018, respectively.

Contractual Maturities of Investment Securities

(in thousands) **As of March 31, 2019**	Amortized Cost
Less than one year	**$ 981**
One to five years	**12,400**
Five to ten years	**136,111**
More than ten years	**369,624**
Total	**$ 519,116**

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 March 31, 2019	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS	**$ 128,954**	**$ 1,942**	**$ 30,954**	**$ 129**
ABS	**143,257**	**1,833**	**63**	**--**
Total	**$ 272,211**	**$ 3,775**	**$ 31,017**	**$ 129**

	Less than 12 months		Greater than 12 months	
As of December 31, 2018	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS	$ 4,489	$ 8	$ 34,796	$ 363
ABS	290	1	101	--
Total	$ 4,779	$ 9	$ 34,897	$ 363

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 March 31, 2019, the majority of the $3.9 million unrealized loss represents unamortized premium.

The Association has historically included financial instruments which contained credit guarantees from the USDA and SBA as "Investment securities" in the Consolidated Statements of Condition. These financial instruments have included guaranteed portions of individual loans, guaranteed portions of loan pools, and/or guaranteed investment securities whose underlying collateral is comprised of individual loans and/or loan pools.

The new FCA regulations have revised the requirements governing the eligibility of investment securities for System banks and associations. To maintain alignment with these new regulations, effective January 1, 2019, we reclassified certain financial instruments from "Investment securities" to "Loans" in the Consolidated Statements of Condition. Accordingly, beginning with reporting periods in 2019, to conform to the presentation effective January 1, 2019, we reclassified from "Investment securities" to "Loans'" amounts totaling $1.4 billion for the comparative period as of December 31, 2018.

All such financial instruments held by the Association as of March 31, 2019, have been and continue to be eligible financial instruments pursuant to previous and the revised FCA regulations.

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 $42.5 million with varying commitment end dates through November 2023. 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 $15.9 million at March 31, 2019, and $13.8 million at December 31, 2018.

The investments were evaluated for impairment. No investments were impaired as of March 31, 2019, and December 31, 2018.

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 input levels that may be used to measure fair value. Refer to Note 2 in our 2018 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 March 31, 2019, or December 31, 2018.

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 March 31, 2019			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	**$ --**	**$ --**	**$ 11,659**	**$ 11,659**
Other property owned	**--**	**--**	**7,995**	**7,995**
	As of December 31, 2018			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$ 11,592	$ 11,592
Other property owned	--	--	10,686	10,686

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 observable 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 observable 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 May 10, 2019, 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 Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.