



Quarterly Report
September 30, 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:

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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 \$4.0 billion (4.8%) to \$88.0 billion in 2019, after increasing in 2017 and 2018. Net cash farm income is forecast to increase \$7.6 billion (7.3%) to \$112.6 billion. Cash receipts for all commodities are forecast to decrease \$2.4 billion (0.6%) to \$371.1 billion in 2019. Total animal/animal product receipts are expected to increase \$0.9 billion (0.5%). Increases in milk and hog receipts are expected to be nearly offset by declines in broiler and chicken egg receipts. Total crop receipts are expected to decrease \$3.3 billion (1.7%) from 2018 levels following expected decreases in soybean receipts. Direct government farm payments are forecast to increase \$5.8 billion (42.5%) to \$19.5 billion in 2019, with most of the increase due to higher anticipated payments from the Market Facilitation Program. Total production expenses are forecast to increase \$1.5 billion (0.4%) to \$346.1 billion in 2019. Spending on feed and hired labor is expected to increase while spending on seed, pesticides, fuels/oil and interest are expected to decline. Farm sector equity is forecast up by \$46.1 billion (1.8%) to \$2.67 trillion in 2019. Farm assets are forecast to increase by \$59.8 billion (2.0%) to \$3.1 trillion in 2019, reflecting an anticipated 1.9% rise in farm sector real estate value. Farm debt is forecast to increase by \$13.7 billion (3.4%) to \$415.7 billion, led by an expected 4.6% rise in real estate debt. The farm sector debt-to-asset ratio is expected to rise from 13.31% in 2018 to 13.49% in 2019. Working capital is forecast to decline 18.7% from 2018. Source: "Highlights From the August 2019 Farm Income Forecast", USDA Economic Research Service (ERS).

LOAN PORTFOLIO

Loan Portfolio

Total loans were \$22.9 billion at September 30, 2019, an increase of \$556.6 million from December 31, 2018 primarily due to increases in agribusiness and real estate mortgage loans.

Portfolio Credit Quality

The credit quality of our portfolio improved from December 31, 2018. Adversely classified loans decreased to 3.4% of the portfolio at September 30, 2019, from 3.5% of the portfolio at December 31, 2018, attributable to improved 2018 net farm earnings and a good general economy. 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)	September 30	December 31
As of:	2019	2018
Loans:		
Non-accrual	\$ 256,001	\$ 282,559
Accruing restructured	19,276	19,698
Accruing loans 90 days or more past due	46,271	18,843
Total risk loans	321,548	321,100
Other property owned	5,926	10,081
Total risk assets	\$ 327,474	\$ 331,181
Total risk loans as a percentage of total loans	1.4%	1.5%
Non-accrual loans as a percentage of total loans	1.1%	1.3%
Current non-accrual loans as a percentage of total non-accrual loans	68.6%	70.6%
Total delinquencies as a percentage of total loans	1.1%	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 continued focus on proactively addressing financially challenged accounts leading to timely resolutions. Non-accrual loans remained at an acceptable level at September 30, 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 related to one account that was well secured with a mutually acceptable plan to bring current in the near term. The increase was also 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		
	September 30	December 31
As of:	2019	2018
Allowance as a percentage of:		
Loans	0.3%	0.5%
Non-accrual loans	29.6%	36.6%
Total risk loans	23.5%	32.2%

The reduction in allowance for loan losses and reversal of provision expense is driven by updated industry stress assumptions as a result of improved economic conditions. Farm Credit Mid-America customers have not experienced the anticipated impact of the downturn as evidenced by better than expected adverse metrics. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at September 30, 2019.

RESULTS OF OPERATIONS

Profitability Information		
(dollars in thousands)	September 30	December 31
For the nine months ended	2019	2018
Net income	\$ 331,007	\$ 274,754
Return on average assets	1.9%	1.6%
Return on average members' equity	9.2%	8.0%

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)			Increase (decrease) in net income
For the nine months ended September 30	2019	2018	
Net interest income	\$ 380,888	\$ 359,383	\$ 21,505
(Reversal of) provision for credit losses	(24,965)	4,381	29,346
Patronage income	77,633	53,989	23,644
Other income, net	34,192	37,776	(3,584)
Operating expenses	179,181	168,040	(11,141)
Provision for income taxes	7,490	3,973	(3,517)
Net income	<u>\$ 331,007</u>	<u>\$ 274,754</u>	<u>\$ 56,253</u>

The changes in net interest income are shown below:

Changes in Net Interest Income

(in thousands)		
For the nine months ended September 30	2019 vs 2018	
Changes in volume	\$	26,358
Changes in interest rates		(4,541)
Changes in nonaccrual income and other		(312)
Net change	<u>\$</u>	<u>21,505</u>

The change in the (reversal of) provision for credit losses was related to updated industry stress assumptions as a result of improved economic conditions. Farm Credit Mid-America customers have not experienced the anticipated impact of the downturn as evidenced by better than expected adverse metrics.

The changes in patronage income are shown below:

Patronage Income

(in thousands)		
For the nine months ended September 30	2019	2018
Wholesale patronage:		
Cash	\$ 26,575	\$ 46,167
Stock	44,210	--
Pool program patronage	2,864	3,823
AgDirect partnership distribution	3,919	3,563
Other Farm Credit Institutions	65	436
Total patronage income	<u>\$ 77,633</u>	<u>\$ 53,989</u>

The increase in patronage income was primarily due to an increase in wholesale patronage. Total wholesale patronage increased primarily as a result of a higher patronage rate for the nine months ended September 30, 2019, compared to the same period of 2018. Wholesale patronage may be paid in cash or AgriBank stock. All pool program patronage and AgDirect partnership distributions are paid in cash. As discussed in our Annual Report, AgriBank will pay patronage in the form of allocated stock as necessary to meet all regulatory capital requirements, while optimizing capital throughout the District. The amount of stock patronage may vary from quarter-to-quarter as AgriBank updates their forecasts for the year, and the final amount of stock patronage will be determined at the end of the year.

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. Additionally, the lower share of AIRA distribution received was offset by higher fee income and operating lease income.

The change in operating expenses was primarily related to employee related expenses due to increased staffing levels.

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

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 September 30, 2019, have been and continue to be eligible financial instruments pursuant to previous and the revised FCA regulations.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable was scheduled to mature on April 30, 2020. However, it was renewed early for \$24.0 billion with a new maturity date of April 30, 2022. The note payable will be renegotiated no later than the maturity date. 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 equity.

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 September 30, 2019, or December 31, 2018.

Total members' equity increased \$206.9 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. The change in accumulated other comprehensive income is the amortization 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:	September 30 2019	December 31 2018	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	20.8%	20.9%	4.5%	2.5%*	7.0%
Tier 1 capital ratio	20.8%	20.9%	6.0%	2.5%*	8.5%
Total capital ratio	21.2%	21.4%	8.0%	2.5%*	10.5%
Permanent capital ratio	20.9%	21.0%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	19.0%	19.2%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	19.2%	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.

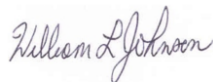
The capital adequacy ratios are directly impacted by the changes in capital as more fully explained in this section and the changes in assets as discussed in the Loan Portfolio section.

CERTIFICATION

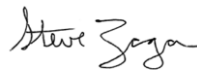
The undersigned have reviewed the September 30, 2019, Quarterly Report of Farm Credit Mid-America, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and 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

November 8, 2019

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Mid-America, ACA

(in thousands)

(Unaudited)

As of:	September 30 2019	December 31 2018
ASSETS		
Loans	\$ 22,874,551	\$ 22,317,940
Allowance for loan losses	75,682	103,549
Net loans	22,798,869	22,214,391
Investment in AgriBank, FCB	506,101	442,516
Investment securities	496,356	90,911
Accrued interest receivable	239,209	200,200
Other property owned	5,926	10,081
Assets held for lease, net	105,332	135,276
Other assets	266,935	267,165
Total assets	\$ 24,418,728	\$ 23,360,540
LIABILITIES		
Note payable to AgriBank, FCB	\$ 19,156,647	\$ 18,294,059
Accrued interest payable	133,395	122,797
Deferred tax liabilities, net	22,615	26,889
Patronage distribution payable	122,473	146,023
Other liabilities	68,937	62,969
Total liabilities	19,504,067	18,652,737
Contingencies and commitments (Note 5)		
MEMBERS' EQUITY		
Capital stock and participation certificates	74,596	78,260
Unallocated surplus	4,840,888	4,630,441
Accumulated other comprehensive loss	(823)	(898)
Total members' equity	4,914,661	4,707,803
Total liabilities and members' equity	\$ 24,418,728	\$ 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)

For the period ended September 30	Three Months Ended		Nine Months Ended	
	2019	2018	2019	2018
Interest income	\$ 261,222	\$ 238,571	\$ 777,722	\$ 692,043
Interest expense	133,455	116,660	396,834	332,660
Net interest income	127,767	121,911	380,888	359,383
(Reversal of) provision for credit losses	(1,211)	5,764	(24,965)	4,381
Net interest income after (reversal of) provision for credit losses	128,978	116,147	405,853	355,002
Other income				
Patronage income	25,980	18,230	77,633	53,989
Financially related services income	4,852	4,067	5,558	5,146
Fee income	10,055	6,642	22,947	19,448
Operating lease income (loss), net	2,131	(5,485)	4,475	1,958
Other property owned losses, net	(464)	(424)	(2,286)	(708)
Allocated Insurance Reserve Accounts distribution	--	--	4,922	12,556
Miscellaneous loss, net	(250)	(257)	(1,424)	(624)
Total other income	42,304	22,773	111,825	91,765
Operating expenses				
Salaries and employee benefits	37,981	35,562	112,871	107,075
Other operating expenses	22,479	21,165	66,310	60,965
Total operating expenses	60,460	56,727	179,181	168,040
Income before income taxes	110,822	82,193	338,497	278,727
Provision for (benefit from) income taxes	2,657	(206)	7,490	3,973
Net income	\$ 108,165	\$ 82,399	\$ 331,007	\$ 274,754
Other comprehensive income				
Employee benefit plans activity	\$ 25	\$ 33	\$ 75	\$ 100
Total other comprehensive income	25	33	75	100
Comprehensive income	\$ 108,190	\$ 82,432	\$ 331,082	\$ 274,854

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	--	274,754	--	274,754
Other comprehensive income	--	--	100	100
Unallocated surplus designated for patronage distributions	--	(91,772)	--	(91,772)
Capital stock and participation certificates issued	2,557	--	--	2,557
Capital stock and participation certificates retired	(4,899)	--	--	(4,899)
Balance at September 30, 2018	\$ 79,132	\$ 4,564,184	\$ (940)	\$ 4,642,376
Balance at December 31, 2018	\$ 78,260	\$ 4,630,441	\$ (898)	\$ 4,707,803
Net income	--	331,007	--	331,007
Other comprehensive income	--	--	75	75
Unallocated surplus designated for patronage distributions	--	(120,552)	--	(120,552)
Cumulative effect of change in accounting principle	--	(8)	--	(8)
Capital stock and participation certificates issued	3,516	--	--	3,516
Capital stock and participation certificates retired	(7,180)	--	--	(7,180)
Balance at September 30, 2019	\$ 74,596	\$ 4,840,888	\$ (823)	\$ 4,914,661

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 nine months ended September 30, 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. All material intercompany transactions and balances have been eliminated in consolidation.

Significant Accounting Policies

Leases: We are the lessee in finance and operating leases. We evaluate arrangements at inception to determine if it is a lease. Leases with an initial term of 12 months or less are not recorded on the balance sheet with lease expense recognized on a straight-line basis over the lease term. For finance and operating leases with terms greater than 12 months the right-of-use (ROU) assets are included in "Other assets" in the Consolidated Statements of Condition and the lease liabilities are included in "Other liabilities" in the Consolidated Statements of Condition.

The ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Finance and Operating lease ROU assets and liabilities are recognized based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. Our lease terms may include options to extend or terminate the lease. The length of the lease term is modified to include the option when it is reasonably certain that we will exercise that option. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

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. Upon adoption, a liability for lease obligations and a corresponding right-of-use asset is 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, 2019. The adoption of this guidance did not have a material impact on our financial condition, results of operations, and financial statement disclosures, and had 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.	On October 16, 2019, the FASB voted to defer effective dates for various standards for certain entities, which includes ASU 2016-13. We have determined we qualify for the delay in the required adoption date for this standard. We are evaluating the deferral and have not yet determined if we will early adopt the standard. We have reviewed the accounting standard, selected a third party vendor and the development of our system is in progress along with the drafting of disclosures. Significant implementation matters yet to be addressed include system 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:	September 30, 2019		December 31, 2018	
	Amount	%	Amount	%
Real estate mortgage	\$ 14,606,449	63.9%	\$ 14,208,338	63.7%
Production and intermediate-term	3,882,698	17.0%	3,847,499	17.2%
Agribusiness	1,954,621	8.5%	1,732,270	7.8%
Rural residential real estate	892,912	3.9%	877,138	3.9%
Finance leases and other	1,537,871	6.7%	1,652,695	7.4%
Total	\$ 22,874,551	100.0%	\$ 22,317,940	100.0%

The other category is primarily composed of rural infrastructure, finance leases, and certain assets originated under the mission related investment authority.

Delinquency

Aging Analysis of Loans

(in thousands) As of September 30, 2019	30-89 Days Past Due		90 Days or More Past Due		Total		Not Past Due or Less than 30 Days Past Due		Accruing Loans 90 Days or More Past Due	
	\$		\$		\$		\$		\$	
Real estate mortgage	\$ 38,459	\$ 53,329	\$ 91,788	\$ 14,668,757	\$ 14,760,545	\$ 23,536				
Production and intermediate-term	38,054	30,201	68,255	3,873,858	3,942,113	8,134				
Agribusiness	357	1,411	1,768	1,962,514	1,964,282	--				
Rural residential real estate	18,209	3,658	21,867	873,803	895,670	86				
Finance leases and other	51,371	14,703	66,074	1,480,403	1,546,477	14,515				
Total	\$ 146,450	\$ 103,302	\$ 249,752	\$ 22,859,335	\$ 23,109,087	\$ 46,271				

As of December 31, 2018	30-89 Days Past Due		90 Days or More Past Due		Total		Not Past Due or Less than 30 Days Past Due		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:	September 30		December 31
	2019		2018
Volume with specific allowance	\$	18,124	\$ 22,720
Volume without specific allowance		303,424	298,380
Total risk loans	\$	321,548	\$ 321,100
Total specific allowance	\$	9,340	\$ 11,680
For the nine months ended September 30			
	2019		2018
Income on accrual risk loans	\$	1,423	\$ 777
Income on non accrual loans		10,709	11,021
Total income on risk loans	\$	12,132	\$ 11,798
Average risk loans	\$	310,489	\$ 332,481

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 September 30, 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)

Nine months ended September 30	2019		2018	
	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	\$ 4,558	\$ 4,558	\$ 1,479	\$ 1,467
Production and intermediate-term	1,973	1,973	882	1,037
Rural residential real estate	34	34	75	76
Total	\$ 6,565	\$ 6,565	\$ 2,436	\$ 2,580

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 of the investment.

The primary types of modification included forgiveness of interest and principal and interest rate reduction below market.

TDRs that Occurred Within the Previous 12 Months that Subsequently Defaulted During the Nine Months Ended September 30

(in thousands)	2019		2018
Real estate mortgage	\$	683	\$ 156
Production and intermediate-term		14	43
Rural residential real estate		13	--
Total	\$	710	\$ 199

TDRs Outstanding

(in thousands)	September 30	December 31
As of:	2019	2018
Accrual status:		
Real estate mortgage	\$ 15,302	\$ 15,967
Production and intermediate-term	2,552	2,226
Rural residential real estate	1,422	1,505
Total TDRs in accrual status	\$ 19,276	\$ 19,698
Non-accrual status:		
Real estate mortgage	\$ 15,783	\$ 13,187
Production and intermediate-term	3,669	3,060
Rural residential real estate	741	907
Total TDRs in non-accrual status	\$ 20,193	\$ 17,154
Total TDRs:		
Real estate mortgage	\$ 31,085	\$ 29,154
Production and intermediate-term	6,221	5,286
Agribusiness	--	--
Rural residential real estate	2,163	2,412
Total TDRs	\$ 39,469	\$ 36,852

There were no material commitments to lend to borrowers whose loans have been modified in a TDR at September 30, 2019.

Allowance for Loan Losses**Changes in Allowance for Loan Losses**

(in thousands)	2019	2018
Nine months ended September 30		
Balance at beginning of period	\$ 103,549	\$ 103,658
(Reversal of) provision for loan losses	(25,129)	5,944
Loan recoveries	2,664	2,398
Loan charge-offs	(5,402)	(7,282)
Balance at end of period	\$ 75,682	\$ 104,718

The "(Reversal of) provision for credit losses" in the Consolidated Statements of Comprehensive Income includes a 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)	2019	2018
For the nine months ended September 30		
Provision for (reversal of) credit losses	\$ 164	\$ (1,563)
September 30		
As of:	2019	2018
Accrued credit losses	\$ 6,613	\$ 6,449

NOTE 3: INVESTMENT SECURITIES

We held investment securities of \$496.4 million at September 30, 2019, and \$90.9 million at December 31, 2018.

All of our investment securities, except \$6.8 million at September 30, 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 at September 30, 2019, or 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)	Weighted		Amortized	Unrealized	Unrealized	Fair	
	Average	Yield					Cost
As of September 30, 2019							
MBS	3.4%	\$	313,219	\$	3,966	\$	316,361
ABS	3.1%		183,137		522		182,546
Total	3.3%	\$	496,356	\$	4,488	\$	498,907
As of December 31, 2018	Weighted		Amortized	Unrealized	Unrealized	Fair	
	Average	Yield					Cost
MBS	3.2%	\$	86,290	\$	2,388	\$	88,307
ABS	4.1%		4,621		89		4,709
Total	3.3%	\$	90,911	\$	2,477	\$	93,016

Investment income is recorded in "Interest income" in the Consolidated Statements of Comprehensive Income and totaled \$10.7 million and \$2.8 million for the nine months ended September 30, 2019, and 2018, respectively.

Contractual Maturities of Investment Securities

(in thousands)	
As of September 30, 2019	Amortized Cost
Less than one year	\$ 457
One to five years	9,159
Five to ten years	182,769
More than ten years	303,971
Total	\$ 496,356

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	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
As of September 30, 2019				
MBS	\$ 70,914	\$ 780	\$ 12,289	\$ 44
ABS	156,890	1,113	--	--
Total	\$ 227,804	\$ 1,893	\$ 12,289	\$ 44
As of December 31, 2018	Less than 12 months		Greater than 12 months	
	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 September 30, 2019, the majority of the \$1.9 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 September 30, 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 \$52.5 million with varying commitment end dates through September 2024. 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 \$18.3 million at September 30, 2019, and \$13.8 million at December 31, 2018.

The investments were evaluated for impairment. No investments were impaired at September 30, 2019, or 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 September 30, 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 September 30, 2019			
	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Impaired loans	\$ --	\$ --	\$ 9,223	\$ 9,223
Other property owned	--	--	6,282	6,282
	As of December 31, 2018			
	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
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 November 8, 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.