

---

*AgCredit Agricultural Credit Association*

**THIRD QUARTER 2018**

**TABLE OF CONTENTS**

Report on Internal Control Over Financial Reporting..... 2

Management’s Discussion and Analysis of  
Financial Condition and Results of Operations..... 3

Consolidated Financial Statements

Consolidated Balance Sheets ..... 8

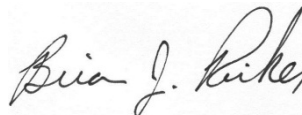
Consolidated Statements of Comprehensive Income..... 9

Consolidated Statements of Changes in Members’ Equity..... 10

Notes to the Consolidated Financial Statements ..... 11

**CERTIFICATION**

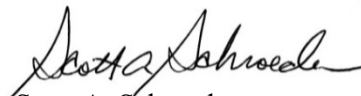
The undersigned certify that we have reviewed the September 30, 2018 quarterly report of AgCredit Agricultural Credit Association, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.



Brian J. Ricker  
Chief Executive Officer



Daniel E. Ebert  
Chief Financial Officer



Scott A. Schroeder  
Chairman of the Board

November 8, 2018

---

*AgCredit Agricultural Credit Association*

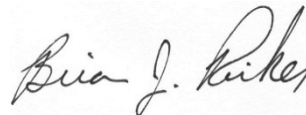
# Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- 1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association,
- 2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and
- 3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of September 30, 2018. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of September 30, 2018, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material changes to or weaknesses in the internal control over financial reporting as of September 30, 2018.



Brian J. Ricker  
Chief Executive Officer



Daniel E. Ebert  
Chief Financial Officer

November 8, 2018

# Management's Discussion and Analysis of Financial Condition and Results of Operations

The following commentary reviews the financial condition and results of operations of AgCredit Agricultural Credit Association (Association) for the nine months ended September 30, 2018. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements, the Association's September 30, 2017 quarterly report and the 2017 Annual Report of the Association. The accompanying consolidated financial statements (financial statements) were prepared under the oversight of the Audit Committee of the Board of Directors, which includes David J. Conrad, David M. Stott, Ph.D., CPA and Deborah L. Johlin-Bach. The results for the nine months of 2018 are not necessarily indicative of results to be expected for the year.

## LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners, and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans through numerous product types. The Association's loan portfolio consists predominantly of grains (primarily soybeans, corn and wheat) which constitute about 58 percent of the entire portfolio as of September 30, 2018. The Association recognizes the commodity concentration risk exceeds normally accepted industry standards. This risk, along with the risk associated with large loans, is reduced by members' off-farm income, utilization of crop insurance, and the use of FSA, USDA, Business and Industry, SBA and Farmer Mac loan guarantees. As of September 30, 2018, the Association had \$499,014 of guaranteed loan volume, which is 25.96 percent of loans as compared to \$485,147 of guaranteed volume or 26.73 percent of the portfolio at September 30, 2017. Loan guarantees reduce the potential of loss in the Association's loan portfolio and help to leverage the Association's capital.

Gross loan volume of the Association as of September 30, 2018 was \$1,922,013 an increase of \$42,336 or 2.25 percent when compared to \$1,879,677 at December 31, 2017. The increase in loan volume primarily relates to the increase in real estate mortgage and process and marketing volume offset in part by the decrease in production and intermediate term (IT), communications and rural residential real estate volume.

From September 30, 2017 to September 30, 2018, volume increased by \$107,360 or 5.92 percent. The increase in loan volume primarily relates to an increase in real estate mortgage, process and marketing and energy volume. These were offset in

part by reduction in farm related business, communications and rural residential real estate volume.

Net loans outstanding at September 30, 2018 were \$1,911,431 as compared to \$1,867,347 at December 31, 2017. Net loans accounted for 95.31 percent of total assets at September 30, 2018 as compared to 94.71 percent at December 31, 2017.

The following table summarizes the Association's risk assets (accruing volume includes accrued interest receivable):

	<u>9/30/18</u>	<u>12/31/17</u>
Nonaccrual loans	\$ 5,532	\$ 2,969
Accruing restructured loans	6,782	7,320
Accruing loans 90 days or more past due	77	-
Total high risk loans	<u>12,391</u>	<u>10,289</u>
Other property owned	-	-
Total high-risk assets	<u>\$ 12,391</u>	<u>\$ 10,289</u>
Ratios:		
Nonaccrual loans to total loans	0.29%	0.16%
High-risk assets to total assets	0.62%	0.52%

High risk assets increased during the first nine months of 2018 primarily as a result of increased accruing loans 90 days or more past due and nonaccrual loans. High risk loans increased as a result of the challenging agricultural environment.

There is an inherent risk in the extension of any type of credit, and accordingly, the Association maintains an allowance for loan losses consistent with the risk measured in the portfolio.

General portfolio credit quality showed a decline during the first nine months of 2018 when compared to December 31, 2017, but remains at an acceptable level.

Credit administration is satisfactory.

During the first nine months of 2018 the Association recorded charge-offs of \$482, recoveries of \$195 and reversal of allowance for loan losses (reversal) of \$1,460. The reversal is a result of the changes to the management qualitative allowance (MQA) factor used for cash grain and landlord loans. Management adjusts the MQA factors due to the declining credit quality for this segment of the portfolio for which the original MQA was established. For the same period of 2017, the Association recorded \$254 of charge-offs, recoveries of \$151 and reversal of allowance for loan losses of \$1,270. The allowance for loan losses represented 0.55 percent and 0.66 percent of loans at September 30, 2018 and December 31, 2017, respectively.

---

## RESULTS OF OPERATIONS

### *For the three months ending September 30, 2018*

Net income for the three months ended September 30, 2018 (Q3 2018) was \$11,075, an increase of \$140 or 1.28 percent when compared to the net income of \$10,935 for the same period in 2017 (Q3 2017). Major changes in the components of net income when comparing Q3 2018 to Q3 2017 are identified as follows:

- Net interest income increased by \$712 or 5.71 percent. The increase resulted primarily from earnings on increased loan volume and an increase in earnings on the Association's own funds in loans.
- Provision for (reversal of allowance for) loan losses increased by \$730 as a result of the Q3 2018 provision of \$580 and a reversal of \$150 during Q3 2017. The provision primarily resulted from increased specific allowance on impaired loans.
- Noninterest income increased by \$202 or 5.80 percent for the following reasons:

Patronage refund from other Farm Credit institutions (patronage refunds) increased by \$161 as a result of higher AgFirst Farm Credit Bank regular, offset in part by lower participation sold patronage. The increase in the regular patronage relates to the higher loan volume previously discussed. The participation sold patronage decreased due to lower patronage sold volume.

Loan fees decreased by \$15 primarily due to decreased loan servicing, participation, secondary mortgage market and bond servicing fees offset in part by higher commitment, new loan and late fees.

Gains (losses) on other transactions increased \$65 due to a true up of the Association Mission Fund.

- Noninterest expense increased by \$44 or 0.85 percent primarily due to:
  - Salary and benefits expense increased by \$156 or 4.71 percent due to increased expenses related to scheduled salary increases, additional employees, pensions and incentives offset by lower expenses for post-retirement, workers comp and miscellaneous benefits.
  - Occupancy and equipment increased by \$8 or 3.15 percent primarily due to increased expenses for computer hardware, furniture and equipment, building maintenance and utilities offset in part by reduced expenses related to depreciation, rental and other office related expenses.
  - Insurance fund premiums decreased by \$151 or 36.39 percent due to decreased premium rates offset in part by increased year-over-year loan volume.

Guarantee fees decreased by \$36 or 18.95 percent due to a decrease in new guarantees.

Other operating expenses increased by \$68 or 6.89 percent due to increased expenses for purchased services, training, public and member relations and participation service fees. These increases were offset in part by lower data processing, advertising, and printing expenses.

### *For the nine months ending September 30, 2018*

Net income for the nine months ended September 30, 2018 (YTD 2018) was \$35,631 which is an increase of \$3,265 or 10.09 percent when compared to the net income of \$32,366 for the same period in 2017 (YTD 2017). Major changes in the components of net income when comparing YTD 2018 to YTD 2017 are identified as follows:

- Net interest income increased by \$2,073 or 5.65 percent. The increase is a result of the same reasons previously discussed.
- The risks identified in the portfolio at September 30, 2018 and September 30, 2017 resulted in a net increase in the reversal of allowance for loan losses of \$190. The increase was due to a reversal of allowance for loan losses for 2018 of \$1,460 and for 2017 of \$1,270.

- Noninterest income increased by \$1,264 or 12.38 percent primarily due to:

Patronage dividends from the Bank increased by \$309 and gains on other transactions increased by \$57, for the reasons previously discussed.

A one-time FCSIC insurance refund of \$892.

Loan fees increased by \$12 due to increased commitment, origination, secondary mortgage market and new loan fees offset in part by lower bond servicing, participation and late fees.

Financially related services increased by \$8 primarily due to increased appraisal services offset by reduced income from crop insurance services.

Premises and equipment experienced a loss of \$13 from the retirement of Association assets.

- Noninterest expense increased by \$266 or 1.68 percent primarily due to:

Salary and benefits expense increased by \$407 due to reasons previously stated except for the increased expenses for workers comp.

Occupancy and equipment increased by \$171 due to reasons previously stated except for the increased expenses for rental and other office related expenses.

Other operating expenses increased by \$385 due to increased expenses for director, purchased services, data processing, training, travel and public and member relations. These were offset by reduced expenses for communication and printing.

Expenses for insurance fund premiums and guarantee fees decreased \$446 and \$250, respectively, for reasons previously stated.

The following table shows the key results of operations ratios for the nine months ended September 30, 2018 and September 30, 2017, respectively.

	9/30/18	9/30/17
Return on average assets	2.47%	2.36%
Return on average equity	14.12%	13.99%
Net interest margin	2.77%	2.76%
Members' equity to assets	17.45%	16.91%
Debt to members' equity (:1)	4.73	4.91

## CAPITAL RESOURCES

Total members' equity was \$349,973 at September 30, 2018 as compared to \$319,855 at December 31, 2017 for an increase of \$30,118 or 9.42 percent. The increase is due primarily to 2018 year-to-date earnings. These increases were offset in part by a reduction in nonqualified surplus retained and retirement of Class A Preferred Stock balances of less than \$1,500 to save cost and servicing time associated with these accounts.

The Association's capital ratios as of September 30, along with FCA minimum requirements, are included in the following regulatory matters section.

## Regulatory Capital Ratios

The Association's regulatory ratios are shown in the following table:

	Regulatory Minimum, Including Buffer*	9/30/18	12/31/17	9/30/17
Permanent Capital Ratio	7.00%	20.46%	19.87%	20.04%
Common Equity Tier 1 (CET1) Capital Ratio	5.125%	18.74%	17.90%	17.73%
Tier 1 Capital Ratio	6.625%	18.74%	17.90%	17.73%
Total Capital Ratio	8.625%	20.24%	19.71%	19.87%
Tier 1 Leverage Ratio	5.00%	15.19%	14.34%	14.25%
Unallocated Retained Earnings (URE) and URE Equivalents Leverage Ratio	1.50%	15.71%	14.85%	14.77%

\*Includes fully phased-in capital conservation buffers which will be effective January 1, 2020.

The FCA sets minimum regulatory capital adequacy requirements for System banks and associations. The requirements are based on regulatory ratios as defined by the FCA and include common equity tier 1 (CET1), tier 1, total capital, permanent capital, tier 1 leverage, and unallocated retained earnings (URE) and URE equivalents leverage ratios.

The permanent capital, CET1, tier 1, and total capital ratios are calculated by dividing the three-month average daily balance of the capital numerator, as defined by the FCA, by a risk-adjusted asset base. Unlike these ratios, the tier 1 leverage and URE and URE equivalents leverage ratios do not incorporate any risk-adjusted weighting of assets. Risk-adjusted assets refer to the total dollar amount of the institution's assets adjusted by an appropriate credit conversion factor as defined by regulation. Generally, higher credit conversion factors are applied to assets with more inherent risk. The tier 1 leverage and URE and URE equivalents leverage ratios are calculated by dividing the three-month average daily balance of the capital numerator, as defined by the FCA, by the three-month average daily balance of total assets adjusted for regulatory deductions.

For all periods presented, AgCredit exceeded minimum regulatory standards for all of the ratios. The Association's capital ratios increased at September 30, 2018 compared to December 31, 2017. Compared to September 30, 2017, the Association's capital ratios improved due to higher average capital levels in the 2018 period. See Regulatory Matters section below for further discussion of capital ratios.

## REGULATORY MATTERS

On May 10, 2018, the Farm Credit Administration adopted a final rule that amends the regulations governing investments of System banks and associations. The final rule strengthens eligibility criteria for the investments the banks may purchase and hold. It also implements Section 939A of the Dodd-Frank Act by removing references to and requirements for credit ratings and substitutes the eligibility requirement with other appropriate standards of credit worthiness. In addition, it grants associations greater flexibility regarding the risk management purposes for investments and limits the type and amount of investments that an association may hold. Only securities that are issued by, or are unconditionally guaranteed or insured as to

the timely payment of principal and interest by, the U.S. government or its agencies are eligible for association risk management purposes. An association may purchase and hold investments not to exceed 10 percent of its 90-day average daily balance of outstanding loans on the last business day of the quarter. The final rule will become effective January 1, 2019.

## RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements*, in the Notes to the Financial Statements, and the 2017 Annual Report to Shareholders for recently issued accounting pronouncements. Additional information is provided in the following table.

The following Accounting Standards Updates (ASUs) were issued by the Financial Accounting Standards Board (FASB) but have not yet been adopted:

Summary of Guidance	Adoption and Potential Financial Statement Impact
<b>ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</b>	
<ul style="list-style-type: none"> <li>Replaces multiple existing impairment standards by establishing a single framework for financial assets to reflect management’s estimate of current expected credit losses (CECL) over the complete remaining life of the financial assets.</li> <li>Changes the present incurred loss impairment guidance for loans to a CECL model.</li> <li>The Update also modifies the other-than-temporary impairment model for debt securities to require an allowance for credit impairment instead of a direct write-down, which allows for reversal of credit impairments in future periods based on improvements in credit.</li> <li>Eliminates existing guidance for purchased credit impaired (PCI) loans, and requires recognition of an allowance for expected credit losses on these financial assets.</li> <li>Requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption.</li> <li>Effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early application will be permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018.</li> </ul>	<ul style="list-style-type: none"> <li>The Association has begun implementation efforts by establishing a cross-discipline governance structure. The Association is currently identifying key interpretive issues, and assessing existing credit loss forecasting models and processes against the new guidance to determine what modifications may be required.</li> <li>The Association expects that the new guidance will result in an increase in its allowance for credit losses due to several factors, including: <ol style="list-style-type: none"> <li>The allowance related to loans and commitments will most likely increase to cover credit losses over the full remaining expected life of the portfolio, and will consider expected future changes in macroeconomic conditions,</li> <li>An allowance will be established for estimated credit losses on any debt securities,</li> <li>The nonaccretible difference on any PCI loans will be recognized as an allowance, offset by an increase in the carrying value of the related loans.</li> </ol> </li> <li>The extent of the increase is under evaluation, but will depend upon the nature and characteristics of the Association’s portfolio at the adoption date, and the macroeconomic conditions and forecasts at that date.</li> <li>The Association expects to adopt the guidance in first quarter 2021.</li> </ul>
<b>ASU 2016-02 – Leases (Topic 842)</b>	
<ul style="list-style-type: none"> <li>Requires lessees to recognize leases on the balance sheet with lease liabilities and corresponding right-of-use assets based on the present value of lease payments.</li> <li>Lessor accounting activities are largely unchanged from existing lease accounting.</li> <li>The Update also eliminates leveraged lease accounting but allows existing leveraged leases to continue their current accounting until maturity, termination or modification.</li> <li>Also, expands qualitative and quantitative disclosures of leasing arrangements.</li> <li>Requires adoption using a modified cumulative effect approach wherein the guidance is applied to all periods presented. A recent amendment provides an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.</li> <li>Effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted.</li> </ul>	<ul style="list-style-type: none"> <li>The practical expedients allow entities to largely account for existing leases consistent with current guidance, except for the incremental balance sheet recognition for lessees.</li> <li>The Association has started its implementation of the Update which has included an initial evaluation of leasing contracts and activities.</li> <li>As a lessee the Association is developing its methodology to estimate the right-of-use assets and lease liabilities, which is based on the present value of lease payments but does not expect a material change to the timing of expense recognition.</li> <li>Given the limited changes to lessor accounting, the Association does not expect material changes to recognition or measurement, but the implementation process and the impact will continue to be evaluated.</li> <li>The Association is evaluating existing disclosures and may need to provide additional information as a result of adopting the Update.</li> <li>The Association expects to adopt the guidance in first quarter 2019 using the optional modified retrospective method and practical expedients for transition.</li> </ul>

---

**Note:** The Association obtains funding from AgFirst Farm Credit Bank (the Bank). The Association is materially affected and shareholder investment could be materially affected by the financial condition and results of operations of the Bank. Copies of the Bank's Annual and Quarterly Reports are on the AgFirst website, [www.agfirst.com](http://www.agfirst.com) or may be obtained at no charge by calling 1-800-845-1745, extension 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202.

Copies of the Association's Quarterly and Annual Reports are available on the Association's website, [www.agcredit.net](http://www.agcredit.net), or may be obtained upon request free of charge by calling 1-800-837-3678, extension 1023, or writing Daniel Ebert, Chief Financial Officer, AgCredit, ACA, 610 W Lytle Street, Fostoria, OH 44830. The Association prepares an electronic version of the Quarterly Report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Association.

# AgCredit Agricultural Credit Association

## Consolidated Balance Sheets

<i>(dollars in thousands)</i>	September 30, 2018 <i>(unaudited)</i>	December 31, 2017 <i>(audited)</i>
<b>Assets</b>		
Cash	\$ 2,035	\$ 6,143
Investments in debt securities:		
Held to maturity (fair value of \$10,650 and \$11,719, respectively)	10,872	11,523
Loans	1,922,013	1,879,677
Allowance for loan losses	(10,582)	(12,330)
Net loans	1,911,431	1,867,347
Accrued interest receivable	39,194	28,440
Equity investments in other Farm Credit institutions	21,463	21,458
Premises and equipment, net	8,242	7,845
Accounts receivable	10,009	27,584
Other assets	2,311	1,250
Total assets	<b>\$ 2,005,557</b>	<b>\$ 1,971,590</b>
<b>Liabilities</b>		
Notes payable to AgFirst Farm Credit Bank	\$ 1,638,543	\$ 1,611,375
Accrued interest payable	4,146	3,691
Patronage refunds payable	180	25,133
Accounts payable	1,011	1,789
Advanced conditional payments	494	5,442
Other liabilities	11,210	4,305
Total liabilities	<b>1,655,584</b>	<b>1,651,735</b>
Commitments and contingencies (Note 7)		
<b>Members' Equity</b>		
Capital stock and participation certificates	19,065	19,522
Retained earnings		
Allocated	213,913	219,004
Unallocated	116,995	81,329
Total members' equity	<b>349,973</b>	<b>319,855</b>
Total liabilities and members' equity	<b>\$ 2,005,557</b>	<b>\$ 1,971,590</b>

*The accompanying notes are an integral part of these consolidated financial statements.*



# AgCredit Agricultural Credit Association

## Consolidated Statements of Comprehensive Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
<b>Interest Income</b>				
Loans	\$ 25,417	\$ 22,651	\$ 73,141	\$ 65,774
Investments	154	170	470	518
Total interest income	<b>25,571</b>	22,821	<b>73,611</b>	66,292
<b>Interest Expense</b>				
Notes payable to AgFirst Farm Credit Bank	12,395	10,357	34,844	29,598
Net interest income	13,176	12,464	38,767	36,694
Provision for (reversal of allowance for) loan losses	580	(150)	(1,460)	(1,270)
Net interest income after provision for (reversal of allowance for) loan losses	<b>12,596</b>	12,614	<b>40,227</b>	37,964
<b>Noninterest Income</b>				
Loan fees	100	115	346	334
Fees for financially related services	104	112	155	147
Patronage refunds from other Farm Credit institutions	3,404	3,243	10,002	9,693
Gains (losses) on sales of premises and equipment, net	—	2	(11)	2
Gains (losses) on other transactions	67	2	66	9
Insurance Fund refund	—	—	892	—
Other noninterest income	9	8	27	28
Total noninterest income	<b>3,684</b>	3,482	<b>11,477</b>	10,213
<b>Noninterest Expense</b>				
Salaries and employee benefits	3,471	3,315	10,691	10,284
Occupancy and equipment	262	254	1,017	846
Insurance Fund premiums	264	415	767	1,213
Guarantee fees	154	190	671	921
(Gains) losses on other property owned, net	(1)	—	(1)	—
Other operating expenses	1,055	987	2,928	2,543
Total noninterest expense	<b>5,205</b>	5,161	<b>16,073</b>	15,807
Income before income taxes	11,075	10,935	35,631	32,370
Provision for income taxes	—	—	—	4
Net income	<b>11,075</b>	10,935	<b>35,631</b>	32,366
Other comprehensive income	—	—	—	—
Comprehensive income	<b>\$ 11,075</b>	\$ 10,935	<b>\$ 35,631</b>	\$ 32,366

*The accompanying notes are an integral part of these consolidated financial statements.*

**AgCredit Agricultural Credit Association**  
**Consolidated Statements of Changes in**  
**Members' Equity**

*(unaudited)*

<i>(dollars in thousands)</i>	Capital Stock and Participation Certificates	Retained Earnings		Total Members' Equity
		Allocated	Unallocated	
Balance at December 31, 2016	\$ 19,661	\$ 197,649	\$ 76,635	\$ 293,945
Comprehensive income			32,366	32,366
Capital stock/participation certificates issued/(retired), net	66			66
Dividends declared/paid			(137)	(137)
Retained earnings retired		(5,732)		(5,732)
Patronage distribution adjustment		(86)	85	(1)
Balance at September 30, 2017	\$ 19,727	\$ 191,831	\$ 108,949	\$ 320,507
<b>Balance at December 31, 2017</b>	<b>\$ 19,522</b>	<b>\$ 219,004</b>	<b>\$ 81,329</b>	<b>\$ 319,855</b>
<b>Comprehensive income</b>			<b>35,631</b>	<b>35,631</b>
<b>Capital stock/participation certificates issued/(retired), net</b>	<b>(457)</b>			<b>(457)</b>
<b>Dividends declared/paid</b>			<b>(134)</b>	<b>(134)</b>
<b>Retained earnings retired</b>		<b>(4,989)</b>		<b>(4,989)</b>
<b>Patronage distribution adjustment</b>		<b>(102)</b>	<b>169</b>	<b>67</b>
<b>Balance at September 30, 2018</b>	<b>\$ 19,065</b>	<b>\$ 213,913</b>	<b>\$ 116,995</b>	<b>\$ 349,973</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

---

*AgCredit Agricultural Credit Association*

# Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)  
(unaudited)

## Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

### *Organization*

The accompanying financial statements include the accounts of AgCredit Agricultural Credit Association and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (collectively, the Association). A description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2017, are contained in the 2017 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

### *Basis of Presentation*

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements may have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

### *Significant Accounting Policies*

The Association's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for loan losses (Note 2, *Loans and Allowance for Loan Losses*), investment securities and

other-than-temporary impairment (Note 3, *Investments*), and financial instruments (Note 5, *Fair Value Measurement*). Actual results could differ from those estimates.

For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

### *Accounting Standards Updates (ASUs) Issued During the Period*

The following ASUs were issued by the Financial Accounting Standards Board (FASB) since the most recent year end:

- In August 2018, the FASB issued ASU 2018-13 Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The amendments are part of the FASB's disclosure framework project. The project's objective and primary focus are to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by GAAP that is most important to users of each entity's financial statements. The amendments remove, modify or add certain disclosures contained in the financial statement footnotes related to fair value. Additionally, the guidance is intended to promote the appropriate exercise of discretion by entities when considering fair value measurement disclosures and to clarify that materiality is an appropriate consideration of entities and their auditors when evaluating disclosure requirements. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Certain amendments should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Entities may early adopt the provisions in whole upon issuance or may early adopt any removed or modified disclosures upon issuance and delay adoption of the additional disclosures until their effective date.
- In July 2018, the FASB issued ASU 2018-11 Leases (Topic 842): Targeted Improvements. The amendments are intended to reduce costs and ease implementation of the leases standard for financial statement preparers. It addresses certain areas identified as possible sources of unnecessary cost or complexity in the standard. Specifically, the amendments provide an option to apply the transition provisions of the new standard at its adoption

date instead of at the earliest comparative period presented in its financial statements and a practical expedient that permits lessors to not separate nonlease components from the associated lease component if certain conditions are met. For entities that have not adopted Topic 842 before the issuance of this Update, the effective date and transition requirements for the amendments related to separating components of a contract are the same as the effective date and transition requirements in ASU 2016-02.

- In July 2018, the FASB issued ASU 2018-10 Codification Improvements to Topic 842, Leases. The amendments affect narrow aspects of the guidance issued in ASU 2016-02. Specifically, the Update corrects, clarifies or changes inconsistent language to improve application of the guidance in ASU 2016-02. For entities that have not adopted Topic 842, the effective date and transition requirements will be the same as the effective date and transition requirements in ASU 2016-02.
- In July 2018, the FASB issued ASU 2018-09 Codification Improvements. The amendments affect a wide variety of Topics in the Codification. They apply to all reporting entities within the scope of the affected accounting guidance. The Board has an ongoing project on its agenda about improvements to clarify the Codification or to correct unintended application of guidance. Those items generally are not expected to have a significant effect on current accounting practice. The transition and effective date guidance is based on the facts and circumstances of each amendment.
- In February 2018, the FASB issued ASU 2018-03 Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this Update include items brought to the Board’s attention by stakeholders. The amendments clarify certain aspects of the guidance issued in Update 2016-01. The amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years beginning after June 15, 2018. All entities may early adopt these amendments for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, as long as they have adopted Update 2016-01.
- In February 2018, the FASB issued ASU 2018-02 Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The guidance allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The amendments eliminate the stranded tax effects resulting from the Tax Cuts and Jobs Act and are intended to improve the usefulness of information reported to financial

statement users. However, because the amendments only relate to the reclassification of the income tax effects of the Tax Cuts and Jobs Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The Update also requires certain disclosures about stranded tax effects. The guidance is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted.

#### *ASUs Pending Effective Date*

For a detailed description of the ASUs below, see the latest Annual Report.

Potential effects of ASUs issued in previous periods:

- In June 2016, the FASB issued ASU 2016-13 Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This Update is intended to improve financial reporting by requiring timelier recording of credit losses on financial instruments. It requires an organization to measure all expected credit losses for financial assets held at the reporting date. Financial institutions and other organizations will use forward-looking information to better estimate their credit losses. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For public companies that are not SEC filers, it will take effect for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Association is in the process of evaluating what effects the guidance may have on the statements of financial condition and results of operations.
- In February 2016, the FASB issued ASU 2016-02 Leases (Topic 842). This Update, and subsequent clarifying guidance issued, requires organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Leases will be classified as either finance leases or operating leases. This distinction will be relevant for the pattern of expense recognition in the income statement. The amendments will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for public business entities. Early adoption is permitted. The Association is in the process of evaluating what effects the guidance may have on the statements of financial condition and results of operations.

### ***Accounting Standards Effective During the Period***

There were no changes in the accounting principles applied from the latest Annual Report, other than any discussed below.

No recently adopted accounting guidance issued by the FASB had a significant effect on the current period reporting. See the most recent Annual Report for a detailed description of each of the standards below:

- In February 2017, the FASB issued ASU 2017-05 Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets. The Update clarifies whether certain transactions are within the scope of the guidance on derecognition and the accounting for partial sales of nonfinancial assets, and defines the term in substance nonfinancial asset. The amendments conform the derecognition guidance on nonfinancial assets with the model for transactions in the new revenue standard. The amendments were effective January 1, 2018 for the Association. Adoption in 2018 had no impact on the statements of financial condition and results of operations of the Association.
- In January 2016, the FASB issued ASU 2016-01 Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The Update was intended to improve the recognition and measurement of financial instruments. The new guidance makes targeted improvements to existing GAAP.

#### Transition Information

- The Association identified investment securities affected by this Update and adopted the guidance on January 1, 2018.
  - The amendments related to equity securities without readily determinable fair values were applied prospectively to equity investments that existed as of the date of adoption.
  - Application of the amendments did not require a cumulative effect adjustment.
  - Adoption did not have an impact on the Association's financial condition or results of operations.
  - The new standard did result in changes to certain disclosures.
- In May 2014, the FASB issued ASU 2014-09 Revenue from Contracts with Customers (Topic 606). This guidance changed the recognition of revenue from contracts with customers. The core principle of the guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance also included expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the

nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Based on input received from stakeholders, the FASB issued several additional Updates that generally provided clarifying guidance where there was the potential for diversity in practice, or address the cost and complexity of applying Topic 606.

#### Transition Information

- The Association identified ancillary revenues affected by this Update and adopted the guidance on January 1, 2018.
- The amendments were applied using the modified retrospective approach.
- The Association elected to only apply the guidance to contracts that were not completed at the date of initial application.
- Subtopics 610-20 on gains and losses from the derecognition of nonfinancial assets, and 340-40 on other assets and deferred costs-contracts with customers were adopted using the same transition options.
- Adoption did not have an impact on the Association's financial condition or results of operations.
- The new standard did result in enhanced disclosures about revenue (see Note 8, *Revenue from Contracts with Customers*).

### **Note 2 — Loans and Allowance for Loan Losses**

The Association maintains an allowance for loan losses at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of the report date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan charge-offs and allowance reversals. A review of individual loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Association has been identified. See Note 3, *Loans and Allowance for Loan Losses*, from the latest Annual Report for further discussion.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the Board of Directors.

A summary of loans outstanding at period end follows:

	September 30, 2018	December 31, 2017
Real estate mortgage	\$ 1,174,176	\$ 1,105,137
Production and intermediate-term	568,430	600,206
Loans to cooperatives	379	380
Processing and marketing	40,276	30,547
Farm-related business	15,823	15,788
Communication	-	2,418
Power and water/waste disposal	3,384	3,469
Rural residential real estate	118,728	120,662
Lease receivables	817	1,070
Total loans	<u>\$ 1,922,013</u>	<u>\$ 1,879,677</u>

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration (FCA) regulations. The following tables present the principal balance of participation loans at periods ended:

	September 30, 2018							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 19,723	\$ 60,434	\$ -	\$ 2,143	\$ 18,152	\$ -	\$ 37,875	\$ 62,577
Production and intermediate-term	14,773	143,111	165	511	475	-	15,413	143,622
Loans to cooperatives	383	-	-	-	-	-	383	-
Processing and marketing	23,308	4,438	-	7,170	-	-	23,308	11,608
Power and water/waste disposal	3,393	-	-	-	-	-	3,393	-
Total	<u>\$ 61,580</u>	<u>\$ 207,983</u>	<u>\$ 165</u>	<u>\$ 9,824</u>	<u>\$ 18,627</u>	<u>\$ -</u>	<u>\$ 80,372</u>	<u>\$ 217,807</u>

	December 31, 2017							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 6,555	\$ 62,801	\$ -	\$ 2,500	\$ 11,971	\$ -	\$ 18,526	\$ 65,301
Production and intermediate-term	18,580	156,118	192	769	1,332	-	20,104	156,887
Loans to cooperatives	383	-	-	-	-	-	383	-
Processing and marketing	16,731	2,961	-	4,622	-	-	16,731	7,583
Communication	2,422	-	-	-	-	-	2,422	-
Power and water/waste disposal	3,479	-	-	-	-	-	3,479	-
Total	<u>\$ 48,150</u>	<u>\$ 221,880</u>	<u>\$ 192</u>	<u>\$ 7,891</u>	<u>\$ 13,303</u>	<u>\$ -</u>	<u>\$ 61,645</u>	<u>\$ 229,771</u>

A significant source of liquidity for the Association is the repayments of loans. The following table presents the contractual maturity distribution of loans by loan type at the latest period end:

	September 30, 2018			
	Due less than 1 year	Due 1 through 5 years	Due after 5 years	Total
Real estate mortgage	\$ 3,204	\$ 55,981	\$ 1,114,991	\$ 1,174,176
Production and intermediate-term	228,732	232,198	107,500	568,430
Loans to cooperatives	-	379	-	379
Processing and marketing	167	25,004	15,105	40,276
Farm-related business	3,521	3,498	8,804	15,823
Power and water/waste disposal	-	-	3,384	3,384
Rural residential real estate	332	3,393	115,003	118,728
Lease receivables	74	697	46	817
Total loans	<u>\$ 236,030</u>	<u>\$ 321,150</u>	<u>\$ 1,364,833</u>	<u>\$ 1,922,013</u>
Percentage	<u>12.28%</u>	<u>16.71%</u>	<u>71.01%</u>	<u>100.00%</u>

The recorded investment in a receivable is the face amount increased or decreased by applicable accrued interest, unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

The following table shows the recorded investment of loans, classified under the FCA Uniform Loan Classification System, as a percentage of the recorded investment of total loans by loan type as of:

	September 30, 2018	December 31, 2017		September 30, 2018	December 31, 2017
<b>Real estate mortgage:</b>			<b>Communication:</b>		
Acceptable	95.16%	95.45%	Acceptable	–%	100.00%
OAEM	1.61	1.25	OAEM	–	–
Substandard/doubtful/loss	3.23	3.30	Substandard/doubtful/loss	–	–
	100.00%	100.00%		–%	100.00%
<b>Production and intermediate-term:</b>			<b>Power and water/waste disposal:</b>		
Acceptable	89.19%	90.24%	Acceptable	100.00%	100.00%
OAEM	5.31	3.62	OAEM	–	–
Substandard/doubtful/loss	5.50	6.14	Substandard/doubtful/loss	–	–
	100.00%	100.00%		100.00%	100.00%
<b>Loans to cooperatives</b>			<b>Rural residential real estate:</b>		
Acceptable	100.00%	100.00%	Acceptable	94.93%	95.11%
OAEM	–	–	OAEM	4.17	3.81
Substandard/doubtful/loss	–	–	Substandard/doubtful/loss	0.90	1.08
	100.00%	100.00%		100.00%	100.00%
<b>Processing and marketing</b>			<b>Lease receivables:</b>		
Acceptable	100.00%	100.00%	Acceptable	100.00%	100.00%
OAEM	–	–	OAEM	–	–
Substandard/doubtful/loss	–	–	Substandard/doubtful/loss	–	–
	100.00%	100.00%		100.00%	100.00%
<b>Farm-related business</b>			<b>Total loans:</b>		
Acceptable	86.37%	87.76%	Acceptable	93.42%	93.79%
OAEM	0.79	11.34	OAEM	2.81	2.23
Substandard/doubtful/loss	12.84	0.90	Substandard/doubtful/loss	3.77	3.98
	100.00%	100.00%		100.00%	100.00%

The following tables provide an aging analysis of the recorded investment of past due loans as of:

	September 30, 2018				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	\$ 10,853	\$ 1,015	\$ 11,868	\$ 1,188,553	\$ 1,200,421
Production and intermediate-term	6,524	938	7,462	573,105	580,567
Loans to cooperatives	–	–	–	379	379
Processing and marketing	–	–	–	40,374	40,374
Farm-related business	156	–	156	15,858	16,014
Power and water/waste disposal	–	–	–	3,386	3,386
Rural residential real estate	157	10	167	118,968	119,135
Lease receivables	–	–	–	817	817
Total	\$ 17,690	\$ 1,963	\$ 19,653	\$ 1,941,440	\$ 1,961,093

	December 31, 2017				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	\$ 1,820	\$ 95	\$ 1,915	\$ 1,121,494	\$ 1,123,409
Production and intermediate-term	4,020	541	4,561	605,193	609,754
Loans to cooperatives	–	–	–	380	380
Processing and marketing	–	–	–	30,609	30,609
Farm-related business	84	–	84	15,827	15,911
Communication	–	–	–	2,419	2,419
Power and water/waste disposal	–	–	–	3,471	3,471
Rural residential real estate	544	74	618	120,408	121,026
Lease receivables	–	–	–	1,070	1,070
Total	\$ 6,468	\$ 710	\$ 7,178	\$ 1,900,871	\$ 1,908,049

Nonperforming assets (including related accrued interest as applicable) and related credit quality statistics at period end were as follows:

	September 30, 2018	December 31, 2017
<b>Nonaccrual loans:</b>		
Real estate mortgage	\$ 3,666	\$ 1,262
Production and intermediate-term	1,813	1,587
Rural residential real estate	53	120
Total	<u>\$ 5,532</u>	<u>\$ 2,969</u>
<b>Accruing restructured loans:</b>		
Real estate mortgage	\$ 321	\$ 321
Production and intermediate-term	6,461	6,999
Total	<u>\$ 6,782</u>	<u>\$ 7,320</u>
<b>Accruing loans 90 days or more past due:</b>		
Production and intermediate-term	\$ 77	\$ -
Total	<u>\$ 77</u>	<u>\$ -</u>
Total nonperforming loans	\$ 12,391	\$ 10,289
Other property owned	-	-
Total nonperforming assets	<u>\$ 12,391</u>	<u>\$ 10,289</u>
Nonaccrual loans as a percentage of total loans	0.29%	0.16%
Nonperforming assets as a percentage of total loans and other property owned	0.64%	0.55%
Nonperforming assets as a percentage of capital	<u>3.54%</u>	<u>3.22%</u>

The following table presents information related to the recorded investment of impaired loans at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	September 30, 2018	December 31, 2017
<b>Impaired nonaccrual loans:</b>		
Current as to principal and interest	\$ 1,328	\$ 1,794
Past due	4,204	1,175
Total	<u>\$ 5,532</u>	<u>\$ 2,969</u>
<b>Impaired accrual loans:</b>		
Restructured	\$ 6,782	\$ 7,320
90 days or more past due	77	-
Total	<u>\$ 6,859</u>	<u>\$ 7,320</u>
Total impaired loans	<u>\$ 12,391</u>	<u>\$ 10,289</u>
Additional commitments to lend	\$ -	\$ 3

The following tables present additional impaired loan information at period end. Unpaid principal balance represents the contractual principal balance of the loan.

	September 30, 2018			Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans	Average Impaired Loans	Interest Income Recognized on Impaired Loans
<b>Impaired loans:</b>							
<b>With a related allowance for credit losses:</b>							
Real estate mortgage	\$ 2,176	\$ 2,215	\$ 435	\$ 2,414	\$ 57	\$ 2,346	\$ 161
Production and intermediate-term	570	576	527	633	15	615	42
Rural residential real estate	-	-	-	-	-	-	-
Total	<u>\$ 2,746</u>	<u>\$ 2,791</u>	<u>\$ 962</u>	<u>\$ 3,047</u>	<u>\$ 72</u>	<u>\$ 2,961</u>	<u>\$ 203</u>
<b>With no related allowance for credit losses:</b>							
Real estate mortgage	\$ 1,811	\$ 1,883	\$ -	\$ 2,008	\$ 48	\$ 1,952	\$ 134
Production and intermediate-term	7,781	18,189	-	8,632	207	8,390	575
Rural residential real estate	53	112	-	59	1	57	4
Total	<u>\$ 9,645</u>	<u>\$ 20,184</u>	<u>\$ -</u>	<u>\$ 10,699</u>	<u>\$ 256</u>	<u>\$ 10,399</u>	<u>\$ 713</u>
<b>Total:</b>							
Real estate mortgage	\$ 3,987	\$ 4,098	\$ 435	\$ 4,422	\$ 105	\$ 4,298	\$ 295
Production and intermediate-term	8,351	18,765	527	9,265	222	9,005	617
Rural residential real estate	53	112	-	59	1	57	4
Total	<u>\$ 12,391</u>	<u>\$ 22,975</u>	<u>\$ 962</u>	<u>\$ 13,746</u>	<u>\$ 328</u>	<u>\$ 13,360</u>	<u>\$ 916</u>



Impaired loans:	December 31, 2017			Year Ended December 31, 2017	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
<b>With a related allowance for credit losses:</b>					
Real estate mortgage	\$ 75	\$ 73	\$ 29	\$ 90	\$ 9
Production and intermediate-term	553	563	506	662	65
Rural residential real estate	74	73	32	88	9
Total	\$ 702	\$ 709	\$ 567	\$ 840	\$ 83
<b>With no related allowance for credit losses:</b>					
Real estate mortgage	\$ 1,508	\$ 1,583	\$ –	\$ 1,807	\$ 178
Production and intermediate-term	8,033	18,327	–	9,624	947
Rural residential real estate	46	48	–	56	5
Total	\$ 9,587	\$ 19,958	\$ –	\$ 11,487	\$ 1,130
<b>Total:</b>					
Real estate mortgage	\$ 1,583	\$ 1,656	\$ 29	\$ 1,897	\$ 187
Production and intermediate-term	8,586	18,890	506	10,286	1,012
Rural residential real estate	120	121	32	144	14
Total	\$ 10,289	\$ 20,667	\$ 567	\$ 12,327	\$ 1,213

A summary of changes in the allowance for loan losses and recorded investment in loans for each reporting period follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Power and Water/Waste Disposal	Rural Residential Real Estate	Lease Receivables	Total
<b>Activity related to the allowance for credit losses:</b>								
Balance at June 30, 2018	\$ 2,306	\$ 6,502	\$ 643	\$ –	\$ 21	\$ 553	\$ 2	\$ 10,027
Charge-offs	(30)	(46)	–	–	–	–	–	(76)
Recoveries	–	49	–	–	–	2	–	51
Provision for loan losses	418	166	(3)	–	–	(1)	–	580
Balance at September 30, 2018	\$ 2,694	\$ 6,671	\$ 640	\$ –	\$ 21	\$ 554	\$ 2	\$ 10,582
Balance at December 31, 2017	\$ 2,504	\$ 8,912	\$ 304	\$ 11	\$ 15	\$ 582	\$ 2	\$ 12,330
Charge-offs	(30)	(395)	–	–	–	(58)	–	(483)
Recoveries	–	193	–	–	–	2	–	195
Provision for loan losses	220	(2,039)	336	(11)	6	28	–	(1,460)
Balance at September 30, 2018	\$ 2,694	\$ 6,671	\$ 640	\$ –	\$ 21	\$ 554	\$ 2	\$ 10,582
Balance at June 30, 2017	\$ 2,566	\$ 8,841	\$ 323	\$ 11	\$ –	\$ 559	\$ 3	\$ 12,303
Charge-offs	–	(42)	–	–	–	–	–	(42)
Recoveries	–	–	–	–	–	–	–	–
Provision for loan losses	(27)	(156)	43	(1)	–	(8)	(1)	(150)
Balance at September 30, 2017	\$ 2,539	\$ 8,643	\$ 366	\$ 10	\$ –	\$ 551	\$ 2	\$ 12,111
Balance at December 31, 2016	\$ 2,550	\$ 10,140	\$ 220	\$ 10	\$ –	\$ 561	\$ 3	\$ 13,484
Charge-offs	–	(254)	–	–	–	–	–	(254)
Recoveries	–	151	–	–	–	–	–	151
Provision for loan losses	(11)	(1,394)	146	–	–	(10)	(1)	(1,270)
Balance at September 30, 2017	\$ 2,539	\$ 8,643	\$ 366	\$ 10	\$ –	\$ 551	\$ 2	\$ 12,111
<b>Allowance on loans evaluated for impairment:</b>								
Individually	\$ 435	\$ 527	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 962
Collectively	2,259	6,144	640	–	21	554	2	9,620
Balance at September 30, 2018	\$ 2,694	\$ 6,671	\$ 640	\$ –	\$ 21	\$ 554	\$ 2	\$ 10,582
Individually	\$ 29	\$ 506	\$ –	\$ –	\$ –	\$ 32	\$ –	\$ 567
Collectively	2,475	8,406	304	11	15	550	2	11,763
Balance at December 31, 2017	\$ 2,504	\$ 8,912	\$ 304	\$ 11	\$ 15	\$ 582	\$ 2	\$ 12,330
<b>Recorded investment in loans evaluated for impairment:</b>								
Individually	\$ 3,987	\$ 8,351	\$ –	\$ –	\$ –	\$ 53	\$ –	\$ 12,391
Collectively	1,196,434	572,216	56,767	–	3,386	119,082	817	1,948,702
Balance at September 30, 2018	\$ 1,200,421	\$ 580,567	\$ 56,767	\$ –	\$ 3,386	\$ 119,135	\$ 817	\$ 1,961,093
Individually	1,583	8,586	–	–	–	120	–	10,289
Collectively	1,121,826	601,168	46,900	2,419	3,471	120,906	1,070	1,897,760
Balance at December 31, 2017	\$ 1,123,409	\$ 609,754	\$ 46,900	\$ 2,419	\$ 3,471	\$ 121,026	\$ 1,070	\$ 1,908,049

\*Includes the loan types; Loans to cooperatives, Processing and marketing, and Farm-related business.

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The following tables present additional information about pre-modification and post-modification outstanding recorded investment and the effects of the modifications that occurred during the periods presented. There were no new TDRs that occurred during the three months ended September 30, 2018.

Outstanding Recorded Investment	Nine Months Ended September 30, 2018				
	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
<b>Pre-modification:</b>					
Production and intermediate-term	\$ —	\$ 79	\$ —	\$ 79	
Total	\$ —	\$ 79	\$ —	\$ 79	
<b>Post-modification:</b>					
Production and intermediate-term	\$ —	\$ 79	\$ —	\$ 79	\$ —
Total	\$ —	\$ 79	\$ —	\$ 79	\$ —

Outstanding Recorded Investment	Three months ended September 30, 2017				
	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
<b>Pre-modification:</b>					
Production and intermediate-term	\$ 374	\$ —	\$ —	\$ 374	
Total	\$ 374	\$ —	\$ —	\$ 374	
<b>Post-modification:</b>					
Production and intermediate-term	\$ 374	\$ —	\$ —	\$ 374	\$ —
Total	\$ 374	\$ —	\$ —	\$ 374	\$ —

Outstanding Recorded Investment	Nine months ended September 30, 2017				
	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
<b>Pre-modification:</b>					
Real estate mortgage	\$ —	\$ 172	\$ —	\$ 172	
Production and intermediate-term	\$ 374	\$ 296	\$ —	\$ 670	
Total	\$ 374	\$ 468	\$ —	\$ 842	
<b>Post-modification:</b>					
Real estate mortgage	\$ —	\$ 152	\$ —	\$ 152	\$ —
Production and intermediate-term	\$ 374	\$ 315	\$ —	\$ 689	\$ (236)
Total	\$ 374	\$ 467	\$ —	\$ 841	\$ (236)

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during periods presented. Payment default is defined as a payment that was thirty days or more past due.

The following table provides information at period end on outstanding loans restructured in troubled debt restructurings. These loans are included as impaired loans in the impaired loan table:

	Total TDRs		Nonaccrual TDRs	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Real estate mortgage	\$ 451	\$ 463	\$ 130	\$ 142
Production and intermediate-term	6,604	7,452	143	453
Total loans	\$ 7,055	\$ 7,915	\$ 273	\$ 595
Additional commitments to lend	\$ —	\$ 3		

The following table presents information as of period end:

	September 30, 2018
Carrying amount of foreclosed residential real estate properties held as a result of obtaining physical possession	\$ —
Recorded investment of consumer mortgage loans secured by residential real estate for which formal foreclosure proceedings are in process	\$ 57

### Note 3 — Investments

#### Investments in Debt Securities

The Association's investments consist primarily of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment (MRI) program approved by the FCA. In its Conditions of Approval for the program, the FCA generally considers a RAB ineligible if its investment rating, based on the internal 14-point risk rating scale used to also grade loans, falls below 9 and requires System institutions to provide notification to FCA when a security becomes ineligible. Any other bonds purchased under the MRI program, approved on a case-by-case basis by FCA, may have different eligibility requirements. At September 30, 2018, the Association held no RABs whose credit quality had deteriorated beyond the program limits.

A summary of the amortized cost and fair value of investment securities held-to-maturity follows:

September 30, 2018					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	\$ 10,872	\$ 92	\$ (314)	\$ 10,650	5.42%

December 31, 2017					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	\$ 11,523	\$ 397	\$ (201)	\$ 11,719	5.41%

A summary of the contractual maturity, amortized cost and estimated fair value of investment securities held-to-maturity follows:

September 30, 2018			
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	\$ —	\$ —	—%
After one year through five years	744	759	5.14
After five years through ten years	3,164	3,011	5.33
After ten years	6,964	6,880	5.49
Total	\$ 10,872	\$ 10,650	5.42%

A portion of these investments has contractual maturities in excess of ten years. However, expected maturities for these types of securities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

An investment is considered impaired if its fair value is less than its cost. The following tables show the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category at each reporting period. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified.

September 30, 2018				
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	\$ 2,701	\$ (45)	\$ 3,877	\$ (269)

December 31, 2017				
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	\$ 341	\$ (1)	\$ 860	\$ (200)

The recording of an impairment is predicated on: (1) whether or not management intends to sell the security, (2) whether it is more likely than not that management would be required to sell the security before recovering its costs, and (3) whether management expects to recover the security's entire amortized cost basis (even if there is no intention to sell). If the Association intends to sell the security or it is more likely than not that it would be required to sell the security, the impairment loss equals the full difference between amortized cost and fair value of the security. When the Association does not intend to sell securities in an unrealized loss position and it is not more likely than not that it would be required to sell the securities, other-than-temporary impairment loss is separated into credit loss and non-credit loss. Credit loss is defined as the shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis.

The Association performs periodic credit reviews, including other-than-temporary impairment analyses, on its investment securities portfolio. The objective is to quantify future possible loss of principal or interest due on securities in the portfolio. Factors considered in determining whether an impairment is other-than-temporary include among others: (1) the length of time and the extent to which the fair value is less than cost, (2) adverse conditions specifically related to the industry, (3) geographic area and the condition of the underlying collateral, (4) payment structure of the security, (5) ratings by rating agencies, (6) the credit worthiness of bond insurers, and (7) volatility of the fair value changes.

The Association uses the present value of cash flows expected to be collected from each debt security to determine the amount of credit loss. This technique requires assumptions related to the underlying collateral, including default rates, amount and timing of prepayments, and loss severity. Assumptions can vary widely from security to security and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics, and collateral type.

Significant inputs used to estimate the amount of credit loss include, but are not limited to, performance indicators of the underlying assets in the security (including default rates, delinquency rates, and percentage of nonperforming assets), loan-to-collateral value ratios, third-party guarantees, current

levels of subordination, vintage, geographic concentration, and credit ratings. The Association may obtain assumptions for the default rate, prepayment rate, and loss severity rate from an independent third party, or generate the assumptions internally.

The Association has not recognized any credit losses as any impairments were deemed temporary and resulted from non-credit related factors. The Association has the ability and intent to hold these temporarily impaired investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities, especially after considering credit enhancements.

#### ***Equity Investments in Other Farm Credit System Institutions***

Equity investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA. These investments are carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Associations are required to maintain ownership in AgFirst (AgFirst or the Bank) in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owned 7.98 percent of the issued stock of the Bank as of September 30, 2018 net of any reciprocal investment. As of that date, the Bank's assets totaled \$32.7 billion and shareholders' equity totaled \$2.4 billion. The Bank's earnings were \$227 million for the first nine months of 2018. In addition, the Association held investments of \$395 related to other Farm Credit institutions.

#### **Note 4 — Debt**

##### ***Notes Payable to AgFirst Farm Credit Bank***

The Association's indebtedness to the Bank represents borrowings by the Association to fund its earning assets. This indebtedness is collateralized by a pledge of substantially all of the Association's assets. The contractual terms of the revolving line of credit are contained in the General Financing Agreement (GFA). The GFA also defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants, among others.

#### **Note 5 — Fair Value Measurement**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

The classifications within the fair value hierarchy are as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

There were no Level 3 assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. Other Financial Instruments are not measured at fair value in the statement of financial position, but their fair values are estimated as of each period end date. The following tables summarize the carrying amounts of these assets and liabilities at period end, and their related fair values.

		September 30, 2018				
		Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
<b>Recurring Measurements</b>						
<b>Assets:</b>						
Assets held in trust funds	\$	83	\$ 83	\$ –	\$ –	\$ 83
Recurring Assets	\$	83	\$ 83	\$ –	\$ –	\$ 83
<b>Liabilities:</b>						
Recurring Liabilities	\$	–	\$ –	\$ –	\$ –	\$ –
<b>Nonrecurring Measurements</b>						
<b>Assets:</b>						
Impaired loans	\$	1,785	\$ –	\$ –	\$ 1,785	\$ 1,785
Other property owned	–	–	–	–	–	–
Nonrecurring Assets	\$	1,785	\$ –	\$ –	\$ 1,785	\$ 1,785
<b>Other Financial Instruments</b>						
<b>Assets:</b>						
Cash	\$	2,035	\$ 2,035	\$ –	\$ –	\$ 2,035
Investments in debt securities, held-to-maturity	10,872	–	–	10,650	10,650	10,650
Loans	1,909,646	–	–	1,840,619	1,840,619	1,840,619
Other Financial Assets	\$	1,922,553	\$ 2,035	\$ –	\$ 1,851,269	\$ 1,853,304
<b>Liabilities:</b>						
Notes payable to AgFirst Farm Credit Bank	\$	1,638,543	\$ –	\$ –	\$ 1,581,503	\$ 1,581,503
Other Financial Liabilities	\$	1,638,543	\$ –	\$ –	\$ 1,581,503	\$ 1,581,503
		December 31, 2017				
		Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
<b>Recurring Measurements</b>						
<b>Assets:</b>						
Assets held in trust funds	\$	77	\$ 77	\$ –	\$ –	\$ 77
Recurring Assets	\$	77	\$ 77	\$ –	\$ –	\$ 77
<b>Liabilities:</b>						
Recurring Liabilities	\$	–	\$ –	\$ –	\$ –	\$ –
<b>Nonrecurring Measurements</b>						
<b>Assets:</b>						
Impaired loans	\$	135	\$ –	\$ –	\$ 135	\$ 135
Other property owned	–	–	–	–	–	–
Nonrecurring Assets	\$	135	\$ –	\$ –	\$ 135	\$ 135
<b>Other Financial Instruments</b>						
<b>Assets:</b>						
Cash	\$	6,143	\$ 6,143	\$ –	\$ –	\$ 6,143
Investments in debt securities, held-to-maturity	11,523	–	–	11,719	11,719	11,719
Loans	1,867,212	–	–	1,824,700	1,824,700	1,824,700
Other Financial Assets	\$	1,884,878	\$ 6,143	\$ –	\$ 1,836,419	\$ 1,842,562
<b>Liabilities:</b>						
Notes payable to AgFirst Farm Credit Bank	\$	1,611,375	\$ –	\$ –	\$ 1,575,848	\$ 1,575,848
Other Financial Liabilities	\$	1,611,375	\$ –	\$ –	\$ 1,575,848	\$ 1,575,848

## SENSITIVITY TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the tables that follow. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in

certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

### Investments in Debt Securities

The fair values of predominantly all Level 3 investments in debt securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The models used to determine fair value for these instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs generally include discount rate components including risk premiums, prepayment estimates, default estimates and loss severities.

These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if the prepayment input were to increase (decrease).

Generally, a change in the assumption used for defaults is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayments. Unobservable

inputs for loss severities do not normally increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

### Inputs to Valuation Techniques

Management determines the Association's valuation policies and procedures. The Bank performs the majority of the Association's valuations, and its valuation processes are calibrated annually by an independent consultant. The fair value measurements are analyzed on a quarterly basis. For other valuations, documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing that is available.

Quoted market prices are generally not available for the instruments presented. Accordingly, fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

#### Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	\$ 1,785	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement cost	*
			Comparability adjustments	*

\* Ranges for this type of input are not useful because each collateral property is unique.

#### Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying Value	Par/Principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Investments in debt securities, held-to-maturity	Discounted cash flow	Prepayment rates Risk adjusted discount rate
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

### Note 6 — Employee Benefit Plans

The following is a table of retirement and other postretirement benefit expenses for the Association:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Pension	\$ 421	\$ 399	\$ 1,263	\$ 1,197
401(k)	164	151	498	456
Other postretirement benefits	45	107	149	320
Total	\$ 630	\$ 657	\$ 1,910	\$ 1,973

The following is a table of retirement and other postretirement benefit contributions for the Association:

	Actual YTD Through 9/30/18	Projected Contributions For Remainder of 2018	Projected Total Contributions 2018
Pension	\$ —	\$ 1,684	\$ 1,684
Other postretirement benefits	149	48	197
Total	\$ 149	\$ 1,732	\$ 1,881

Contributions in the above table include allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the respective Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2018.

Further details regarding employee benefit plans are contained in the 2017 Annual Report to Shareholders.

#### Note 7 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. At September 30, 2018, the Association had recognized an estimated contingency liability of \$18 for certain pending claims where a loss is both probable and estimable.

#### Note 8 — Revenue from Contracts with Customers

On January 1, 2018, Accounting Standards Update 2014-09 Revenue from Contracts with Customers (Topic 606) became effective. The core principle of the new standard is that companies should recognize revenue to depict the transfer of promised 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.

The Association maintains contracts with customers to provide support services in various areas such as accounting, lending transactions, consulting, insurance, and information technology. The Association does not generally incur costs to obtain contracts. As most of the contracts are to provide access to expertise or system capacity that the Association maintains, there are no material incremental costs to fulfill these contracts that should be capitalized. Total revenue recognized from contracts with customers was as follows:

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
Revenue recognized from contracts with customers:				
At a point in time	\$	146	\$	292
Over time		—		—
Total	\$	146	\$	292

#### Note 9 — Subsequent Events

The Association evaluated subsequent events and determined that, except as described below, there were none requiring disclosure through November 8, 2018, which was the date the financial statements were issued.

On October 15, 2018, AgFirst's Board of Directors indicated an intention to declare, in December 2018, a special patronage distribution. The Association will receive between approximately \$10,159 and \$12,006 which will be recorded as patronage refunds from other Farm Credit institutions.