Third Quarter Financial Report

September 30, 2018

Farm Credit Services of America

AGRICULTURE WORKS HERE.™

Farm Credit Services of America, ACA

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

The following commentary reviews the consolidated financial position and consolidated results of operations of Farm Credit Services of America, ACA, and its subsidiaries (Farm Credit Services of America). The accompanying consolidated financial statements and notes also contain important information about our financial position and results of operations. You should also read our 2017 Annual Report for a description of our organization, operations and significant accounting policies.

AgriBank, FCB's financial condition and results of operations materially affect shareholders' investment in Farm Credit Services of America, ACA. To request a free copy of the combined AgriBank, FCB and Affiliated Associations' financial reports or additional copies of our report contact us at PO Box 2409, Omaha, NE 68103-2409, (800) 531-3905 or via electronic mail to $sr@fcsamerica.com or view them at our Web site, www.fcsamerica.com. You may also contact AgriBank, FCB at 30 East 7th Street, Suite 1600, St. Paul, MN 55101, (651) 282-8800, or via electronic mail to: financialreporting@agribank.com. The combined AgriBank, FCB and Affiliated Associations' financial reports are also available through AgriBank, FCB's Web site at www.agribank.com.

Forward-Looking Information

Any forward-looking statements in this Quarterly Financial Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2017 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Loan Portfolio

Loan volume was relatively stable in the third quarter, increasing by $1.2 billion from year-end, an increase of 4.3 percent. The increase was primarily due to an increase in long-term agricultural mortgage loans.

We recorded a $25.2 million provision for credit losses for the first nine months of 2018, as compared with $32.1 million during the first nine months of 2017. The rate of credit deterioration in several portfolios has slowed, leading to a more modest provision expense compared to the first nine months of 2017. The grain and sugar portfolios were the primary drivers of the increase in 2018. Net charge-offs for the first nine months of 2018 were $3.2 million compared to net charge offs of $2.1 million in the same period a year ago.

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

The following table summarizes risk assets (accruing volume includes accrued interest receivable) and delinquency information (in thousands):

	September 30 2018	December 31 2017
Risk loans:		
Nonaccrual	**$185,029**	$160,132
Restructured	**37,325**	47,156
90 days past due still accruing interest	**11,732**	7,555
Total risk loans	**234,086**	214,843
Other property owned, net	**31,361**	3,776
Total risk assets	**$265,447**	$218,619
Risk loans as a percent of total loans and interest	**0.83%**	0.79%
Nonaccrual loans as a percent of total loans	**0.67%**	0.60%
Current nonaccrual loans as a percent of total nonaccrual loans	**61.0%**	50.2%
Total delinquencies as a percent of total loans and interest	**0.57%**	0.62%

Total risk loans have increased since year-end due to increases in nonaccrual loans, loans 90 days past due still accruing interest and other property owned. The increase in nonaccrual loans is primarily due to accounts in the sugar, grain, and energy/electric industries being classified as nonaccrual partially offset by a decrease in dairy. The increase in 90 days past due and still accruing interest is due to accounts in the production and intermediate term loans. The increase in other property owned is due to accounts in the grain industry. It is our practice to transfer accruing loans that are past due 90 days or more into nonaccrual unless they are adequately secured and in the process of collection. Based on our analysis, loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection. Risk loans as a percentage of total loans remain at acceptable levels.

Comparative allowance coverage of various loan categories follows:

	September 30, 2018	December 31, 2017
Allowance as a percentage of:		
Total loans	**0.55%**	0.49%
Nonaccrual loans	**82.15%**	81.18%
Total risk loans	**64.93%**	60.51%

Our adversely classified assets increased during the first nine months of 2018 ending the quarter at 9.30 percent of the portfolio, compared to 8.01 percent of the portfolio at December 31, 2017. Adversely classified are assets 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, and in our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at September 30, 2018.

Commodity Review and Outlook Update

The Farm Credit Services of America Appraisal team monitors real estate value trends through semi-annual appraisals of sixty-four agricultural farms located throughout our territory. The Appraisal team updates benchmark farm values based on the most recently reported real estate sales on January 1st and July 1st each year.

The average change in benchmark farm values at July 1, 2018 is shown below. The number of benchmark farms is shown in parenthesis after each state.

State	Six Month	One Year	Five Year	Ten Year
Iowa (21)	2.1%	3.5%	(16.3)%	71.4%
Nebraska (18)	0.1%	(2.8)%	(12.0)%	109.3%
South Dakota (23)	(1.4)%	(2.6)%	4.2%	98.6%
Wyoming (2)	2.5%	3.2%	38.5%	30.1%

Farmland prices were relatively steady across our territory compared to a year ago. The average quality of land sold also remained stable during this time and has not changed substantially over the past few years. Public land auction activity increased compared to the first half of 2017, jumping 56% in South Dakota, 23% in Iowa and 7% in Nebraska. Despite this, the overall availability of farmland appears to be similar to 2017 as private and realtor sales declined, offsetting the increase in public auction sales.

Loan repayment capacity for our loans is largely dependent upon income from corn, soybeans, hogs and cattle. Of somewhat less significance are wheat, dairy and poultry.

The margin outlook for most crop producers continues to look challenging for the next couple of years with most forecasters projecting corn and soybean prices to be at or below cost of production for the average producer. Favorable weather patterns during the growing season will result in above average yields across a majority of the territory. These yields will partially mitigate the impact of low prices for both corn and soybeans.

Profit margins within the cattle feeding sector were largely positive during the first nine months of 2018 resulting in further stabilization and improvement of financial positions within this portfolio. Prices for both swine and dairy retreated during 2018 resulting in negative profit margins for a large segment of producers. Egg prices remained favorable for a majority of 2018 and contributing to positive financial recovery.

Refer to the Commodity Review and Outlook section of Management's Discussion & Analysis in the 2017 Annual Report for further analysis of farm land prices and industry conditions.

Results of Operations

The following table presents profitability information (dollars in thousands):

	For the nine months ended September 30,	
	2018	2017
Net income	**$422,330**	$386,441
Return on average assets	**2.01%**	1.94%
Return on average members' equity	**10.70%**	10.65%

Changes in these ratios are directly related to the changes in income discussed in this section, changes in assets discussed in the Loan Portfolio section and changes in capital discussed in the Funding, Liquidity and Members' Equity section.

Major components of the changes in net income for the nine months ended September 30, 2018 compared to the same period in 2017 are outlined in the following table (in thousands):

Increase (decrease) in Net Income	**2018 vs. 2017**
Net interest income	**$29,928**
Provision for credit losses	**6,937**
Noninterest income	**668**
Noninterest expense	**(3,105)**
Provision for income taxes (net)	**1,461**
Total change in net income	**$35,889**

Net interest income was $549.8 million for the first nine months of 2018 compared to $519.9 million for the first nine months of 2017. The annualized net interest margin was 2.73 percent for the first nine months of 2018, compared to 2.73 percent for the same period in 2017.

The effects on net interest income from changes in average volumes and rates are quantified in the following table for the nine months ended September 30 (in thousands):

	2018 vs. 2017
Changes in volume	**$31,425**
Changes in rates	**(109)**
Change in nonaccrual income	**(1,388)**
Net change	**$29,928**

The variance in the provision for credit losses reflects our assessment of risk in the loan portfolio.

The increase in noninterest income is primarily due to a refund from the Farm Credit System Insurance Corporation partially offset by a decrease in bank patronage. The increase in noninterest expense is primarily due to salary, benefits and other expenses for increased staffing levels to support business initiatives, it is partially offset by a reduction in the Farm Credit System Insurance Corporation premium.

Farm Credit Services of America recorded $10.5 million of operating expense credits under the income and expense sharing provisions of the alliance agreement in the first nine months of 2018 compared to $11.8 million for the first nine months of 2017. Refer to Note 1 in our 2017 Annual Report for additional information on the alliance.

Funding, Liquidity and Members' Equity

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

Cost of funds associated with our note payable includes a marginal cost of debt component, a spread component, which includes cost of servicing, cost of liquidity, bank profit, and, if applicable, a risk premium component. However, we were not subject to a risk premium at September 30, 2018 or December 31, 2017.

Our members' equity increased to $5.515 billion at September 30, 2018 compared to $5.086 billion at December 31, 2017. The increase was due to the net income recorded for the first nine months of 2018 and net issuance of capital stock.

Farm Credit Administration regulations require us to maintain a certain level for our common equity tier 1, tier 1 capital, total capital and permanent capital risk-based capital ratios. In addition, the Farm Credit Administration requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents ratios. Refer to Note 9 in our 2017 Annual Report for a more complete description of these ratios.

	As of September 30, 2018	Regulatory Minimums	Capital Conservations Buffer	Total
Risk-adjusted:				
Common equity tier 1 ratio	**16.04%**	4.5%	2.5% *	7.0%
Tier 1 capital ratio	**16.04%**	6.0%	2.5% *	8.5%
Total capital ratio	**16.56%**	8.0%	2.5% *	10.5%
Permanent capital ratio	**16.14%**	7.0%	0.0%	7.0%
Non-risk-adjusted:				
Tier 1 leverage ratio	**17.31%**	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**17.90%**	1.5%	0.0%	1.5%

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

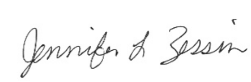
Regulatory Matters

In May 2018, the Farm Credit Administration Board approved a final rule to revise the requirements governing the eligibility of investment securities for Farm Credit System Institutions. The new regulation revises the eligibility purpose, type, and amount of investments that an association may hold. The regulation is effective January 1, 2019. We currently do not have investment securities on our Consolidated Statements of Condition.

Certification

This report has been prepared under the oversight of the Board Audit Committee. The undersigned certify that they have reviewed this report and it has been prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate, and complete to the best of their knowledge and belief.

Mark Jensen
President and CEO
October 23, 2018



Jennifer L Zessin
Chairperson, ACA Board of Directors
October 23, 2018

Craig P. Kinnison
Senior Vice-President and CFO
October 23, 2018

Farm Credit Services of America, ACA
Consolidated Balance Sheet
(dollars in thousands)

	September 30, 2018 (unaudited)	December 31, 2017
ASSETS		
Loans	**$27,810,452**	$26,652,660
Allowance for loan losses	**152,000**	130,000
Net loans	**27,658,452**	26,522,660
Cash	**21,471**	94,002
Accrued interest receivable	**542,806**	412,230
Investment in AgriBank, FCB	**554,361**	532,576
Investment in AgDirect, LLC	**53,905**	59,164
Premises and equipment, net	**180,525**	163,816
Other property owned	**31,361**	3,776
Investment in RBIC	**13,456**	11,973
Deferred tax asset, net	**3,028**	4,279
Other assets	**134,918**	153,314
Total assets	**$29,194,283**	$27,957,790
LIABILITIES		
Notes payable	**$23,417,214**	$22,403,041
Accrued interest payable	**144,261**	112,342
Patronage payable	**-**	200,000
Reserve for unfunded lending commitments	**11,000**	11,000
Other liabilities	**106,548**	144,981
Total liabilities	**23,679,023**	22,871,364
MEMBERS' EQUITY		
At-risk capital:		
Class D common stock	**80,180**	74,228
Class E common stock	**3,137**	2,610
Retained earnings	**5,431,943**	5,009,588
Total members' equity	**5,515,260**	5,086,426
Total liabilities and members' equity	**$29,194,283**	$27,957,790

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

Farm Credit Services of America, ACA
Consolidated Statement of Income
(dollars in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	**2018**	2017
NET INTEREST INCOME				
Interest income	**$334,889**	$289,298	**$954,730**	$830,400
Interest expense	**144,339**	110,486	**404,894**	310,492
Net interest income	**190,550**	178,812	**549,836**	519,908
Provision for credit losses	**9,511**	11,742	**25,203**	32,140
Net interest income after provision for credit losses	**181,039**	167,070	**524,633**	487,768
NONINTEREST INCOME				
Patronage income from AgriBank, FCB	**22,341**	34,586	**66,016**	75,164
Insurance fund refund	**-**	-	**16,215**	-
Loan fees	**4,142**	4,487	**13,231**	14,160
Insurance services	**6,914**	14,172	**10,079**	15,796
AgDirect program fees	**8,467**	9,006	**26,056**	26,648
AgDirect, LLP patronage income from AgriBank, FCB	**2,986**	2,441	**8,803**	7,613
Servicing fee income from AgriBank, FCB	**168**	202	**518**	628
Other noninterest income	**1,252**	1,426	**4,835**	5,076
Total noninterest income	**46,270**	66,320	**145,753**	145,085
NONINTEREST EXPENSE				
Salaries and employee benefits	**51,824**	50,746	**157,460**	150,017
Occupancy and equipment expense	**6,849**	7,214	**20,253**	20,312
Insurance fund premiums	**5,373**	8,469	**15,942**	25,211
Other operating expenses	**15,070**	15,209	**45,654**	42,850
Loss on other property owned	**-**	-	**1,556**	403
Loss (gain) on RBIC	**174**	-	**943**	(90)
Total noninterest expense	**79,290**	81,638	**241,808**	238,703
Income before income taxes	**148,019**	151,752	**428,578**	394,150
Provision for income taxes	**1,738**	2,939	**6,248**	7,709
Net income	**$146,281**	$148,813	**$422,330**	$386,441

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

Farm Credit Services of America, ACA
Consolidated Statement of Changes in Members' Equity

(dollars in thousands)

(unaudited)

	At-risk Capital		
	Capital Stock	**Retained Earnings**	**Total Members' Equity**
Balance at December 31, 2016	$52,757	$4,627,117	$4,679,874
Net income		386,441	386,441
Patronage accrual adjustment		18	18
Capital stock:			
Issued	49,014		49,014
Retired	(27,452)		(27,452)
Balance at September 30, 2017	$74,319	$5,013,576	$5,087,895
Balance at December 31, 2017	$76,838	$5,009,588	$5,086,426
Net income		**422,330**	**422,330**
Patronage accrual adjustment		**25**	**25**
Capital stock:			
Issued	**15,877**		**15,877**
Retired	**(9,398)**		**(9,398)**
Balance at September 30, 2018	**$83,317**	**$5,431,943**	**$5,515,260**

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

Notes to Consolidated Financial Statements (unaudited)

Note 1 - Organization and Significant Accounting Policies

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. While our accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and the prevailing practices within the financial services industry, this interim Quarterly Financial Report is prepared based upon statutory and regulatory requirements and, accordingly, does not include all disclosures required by U.S. GAAP. The results of the nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for the year ended December 31, 2018. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the consolidated financial statements and related notes included in our 2017 Annual Report for the year ended December 31, 2017.

The consolidated financial statements present the consolidated financial results of Farm Credit Services of America, ACA (the parent) and Farm Credit Services of America, FLCA and Farm Credit Services of America, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

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

In February 2016, the Financial Accounting Standards (FASB) issued guidance entitled *Leases*. 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. The guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2019, and interim periods the subsequent year. Early adoption is permitted. We have no plans to early adopt this guidance. When this guidance is adopted, a liability for lease obligations and a corresponding right-of-use asset will be recognized on the Consolidated Statements of Condition for all lease arrangements spanning more than 12 months. We are in the process of drafting accounting policies and designing processes and controls to implement this standard. The necessary disclosures will be determined during 2018. We have determined after preliminary review, this guidance will not have a material impact on our financial condition, results of operations, and financial statement disclosures, and will have no impact on cash flows.

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance entitled *Revenue from Contracts with Customers*. This guidance was effective for public entities on January 1, 2018. The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of 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. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of our contracts would be excluded from the scope of this new guidance. We have adopted the new standard effective January 1, 2018, using the modified retrospective approach. Since the majority of the Association's revenues are not subject to the new guidance, the adoption of the guidance did not have a material impact on our financial condition, results of operations, equity or cash flows.

Refer to Note 2 in our 2017 Annual Report for additional information on other accounting standards that have been issued, but are not yet effective. We are currently evaluating the impact of the guidance on our Consolidated Financial Statements.

Note 2 – Loans and Allowance for Credit Losses

Loans consisted of the following (dollars in thousands):

	September 30, 2018		December 31, 2017	
	Amount	**Percentage**	Amount	Percentage
Long-term agricultural mortgage	**$16,374,123**	**59.0 %**	$15,635,315	58.7 %
Production and intermediate term	**6,565,722**	**23.6**	6,729,938	25.2
Agribusiness	**2,604,569**	**9.4**	2,284,660	8.6
Rural residential real estate	**1,454,051**	**5.2**	1,459,584	5.5
Rural infrastructure	**486,167**	**1.7**	379,651	1.4
Mission-related investments	**235,263**	**0.8**	107,007	0.4
Agricultural export finance	**90,557**	**0.3**	56,505	0.2
Total loans	**$27,810,452**	**100.0 %**	$26,652,660	100.0 %

Credit Quality

One credit quality indicator we utilize is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- acceptable – loans are expected to be fully collectible and represent the highest quality;
- other assets especially mentioned (OAEM) (special mention) – loans are currently collectible but exhibit some potential weakness;
- substandard – loans exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan;
- doubtful – loans exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable; and
- loss – loans are considered uncollectible.

We had no loans categorized as loss at September 30, 2018 or December 31, 2017.

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type:

	As of September 30, 2018						
	Acceptable		**OAEM**		**Substandard/Doubtful**		**Total**
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**
Long-term agricultural mortgage	**$14,162,153**	**84.63%**	**$1,109,080**	**6.63%**	**$1,463,398**	**8.74%**	**$16,734,631**
Production and intermediate term	**4,997,127**	**74.43%**	**696,994**	**10.38%**	**1,020,206**	**15.19%**	**6,714,327**
Agribusiness	**2,506,357**	**95.63%**	**41,193**	**1.57%**	**73,418**	**2.80%**	**2,620,968**
Rural residential real estate	**1,344,319**	**91.55%**	**55,148**	**3.76%**	**68,872**	**4.69%**	**1,468,339**
Rural infrastructure	**466,090**	**95.51%**	**12,872**	**2.64%**	**9,044**	**1.85%**	**488,006**
Mission-related investments	**236,200**	**100.00%**	**-**	**-**	**-**	**-**	**236,200**
Agricultural export finance	**90,786**	**100.00%**	**-**	**-**	**-**	**-**	**90,786**
Total	**$23,803,032**	**83.95%**	**$1,915,287**	**6.76%**	**$2,634,938**	**9.29%**	**$28,353,257**

	As of December 31, 2017						
	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	%	Amount	%	Amount	%	Amount
Long-term agricultural mortgage	$13,683,627	86.05%	$1,032,998	6.49%	$1,186,194	7.46%	$15,902,819
Production and intermediate term	5,348,526	78.09%	638,569	9.32%	861,991	12.59%	6,849,086
Agribusiness	2,209,424	96.23%	41,721	1.82%	44,798	1.95%	2,295,943
Rural residential real estate	1,359,829	92.38%	51,325	3.49%	60,835	4.13%	1,471,989
Rural infrastructure	363,455	95.41%	3,844	1.01%	13,646	3.58%	380,945
Mission-related investments	107,489	100.00%	-	-	-	-	107,489
Agricultural export finance	56,620	100.00%	-	-	-	-	56,620
Total	$23,128,970	85.46%	$1,768,457	6.53%	$2,167,464	8.01%	$27,064,891

Delinquency

The following table provides an aging analysis of past due loans and related accrued interest receivable by loan type (in thousands):

As of September 30, 2018	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
Long-term agricultural mortgage	**$18,156**	**$36,993**	**$55,149**	**$16,679,482**	**$16,734,631**	**$1,396**
Production and intermediate term	**50,673**	**36,721**	**87,394**	**6,626,934**	**$6,714,328**	**8,957**
Agribusiness	**973**	**2,445**	**3,418**	**2,617,550**	**$2,620,968**	**1,379**
Rural residential real estate	**6,814**	**3,050**	**9,864**	**1,458,475**	**$1,468,339**	**-**
Rural infrastructure	**-**	**-**	**-**	**488,005**	**$488,005**	**-**
Mission-related investments	**5,422**	**1,379**	**6,801**	**229,399**	**$236,200**	**-**
Agricultural export finance	**-**	**-**	**-**	**90,786**	**$90,786**	**-**
Total	**$82,038**	**$80,588**	**$162,626**	**$28,190,631**	**$28,353,257**	**$11,732**

As of December 31, 2017	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
Long-term agricultural mortgage	$30,286	$ 21,880	$52,166	$15,850,653	$15,902,819	$1,119
Production and intermediate term	60,000	43,183	103,183	6,745,903	6,849,086	5,873
Agribusiness	221	2,010	2,231	2,293,712	2,295,943	-
Rural residential real estate	3,864	3,850	7,714	1,464,275	1,471,989	563
Rural infrastructure	-	-	-	380,945	380,945	-
Mission-related investments	1,593	-	1,593	105,896	107,489	-
Agricultural export finance	-	-	-	56,620	56,620	-
Total	$95,964	$70,923	$166,887	$26,898,004	$27,064,891	$7,555

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. Accruing loans include principal and interest. The following tables present information concerning risk loans (in thousands):

	As of September 30,	
	2018	2017
Risk loans with specific allowance	**$ 31,441**	$44,640
Risk loans without specific allowance	**202,645**	186,565
Total risk loans	**$234,086**	$231,205
Total specific allowance	**$12,104**	$7,948

	For the nine months ended September 30,	
	2018	2017
Interest income recognized on nonaccrual loans	**$4,887**	$3,944
Interest income on risk accrual loans	**2,277**	2,267
Interest income recognized on risk loans	**$7,164**	$6,211
Average risk loans	**$236,979**	$221,665

There were approximately $4.2 million in commitments to lend additional funds to customers whose loans were at risk at September 30, 2018.

Troubled Debt Restructurings

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 troubled debt restructurings 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.

	2018		2017	
	Premodification Outstanding Recorded Investment	**Postmodification Outstanding Recorded Investment**	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Long-term agricultural mortgage	**$2,007**	**$2,068**	$5,592	$5,594
Production and intermediate term	**1,775**	**1,772**	18,495	18,594
Agribusiness	**18,067**	**18,384**	1,726	1,329
Total	**$21,849**	**$22,224**	$25,813	$25,517

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

The following table presents information regarding troubled debt restructurings that occurred within the previous twelve months for which there was a subsequent payment default during the period ended September 30 (in thousands):

	2018	2017
	Recorded Investment	Recorded Investment
Agribusiness	-	$2,803
	-	$2,803

Troubled debt restructurings outstanding at September 30, 2018, totaled $65.8 million, of which $28.5 million were in nonaccrual status. There were $2.5 million in additional commitments to lend to borrowers whose loans have been modified in a troubled debt restructuring at September 30, 2018.

Allowance for Loan Losses

An analysis of changes in the allowance for credit losses follows (in thousands):

	September 30,	
Allowance for loan losses	**2018**	2017
Balance at beginning of year	**$130,000**	$104,000
Provision for loan losses	**25,203**	31,140
Charge-offs	**(4,682)**	(6,308)
Recoveries	**1,479**	4,168
Balance at end of quarter	**$152,000**	$133,000

	September 30,	
Reserve for unfunded lending commitments	**2018**	2017
Balance at beginning of year	**$11,000**	$11,000
Reversal of provision for unfunded lending commitments	-	1,000
Balance at end of quarter	**$11,000**	$12,000

We recorded a $25.2 million provision for credit losses for the first nine months of 2018, as compared with $32.1 million during the first nine months of 2017. The rate of credit deterioration in several portfolios has slowed, leading to a more modest provision expense compared to the first nine months of 2017. The grain and sugar portfolios were the primary drivers of the increase in 2018. Net charge-offs for the first nine months of 2018 were $3.2 million compared to net charge offs of $2.1 million in the same period a year ago.

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

Note 3 – Investment in Rural Business Investment Company

We and other Farm Credit System institutions are among the limited partners invested in three Rural Business Investment Companies (RBIC's). The RBICs make equity and debt investments in predominately rural and agriculture-related businesses that create growth and job opportunities in rural America. Our current total capital commitments total $30 million with varying commitment end dates through December 2022. Certain commitments may have an option to extend under specific circumstances. Our called and deployed capital in the RBICs totaled $13.5 million at September 30, 2018 as compared to $12.0 million at December 31, 2017.

Note 4 – 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 six levels of inputs that may be used to measure fair value. Refer to Note 2 in our 2017 Annual Report for a more complete description of the six input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at September 30, 2018, or December 31, 2017. We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. Information on assets measured at fair value on a non-recurring basis is as follows (in thousands):

	Fair Value Measurement Using			
As of September 30, 2018	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Impaired loans	**-**	**-**	**$22,152**	**$22,152**
Other property owned	-	**-**	**$37,234**	**$37,234**

	Fair Value Measurement Using			
As of December 31, 2017	Level 1	Level 2	Level 3	Total Fair Value
Impaired Loans	-	-	$37,174	$37,174
Other property owned	-	-	$4,400	$4,400

Impaired loans: Represents the carrying amount and related write-downs of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses independent appraisals and other market-based information, they fall under 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 fall under 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.

Note 5- Commitments and Contingencies

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 accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

From time to time, 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, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

We are among the forming limited partners in a Rural Business Investment Company. Refer to Note 3 for additional discussion.

Note 6- Subsequent Events

We have evaluated subsequent events through October 23, 2018 which is the date the 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.