LEGACY AG CREDIT, ACA

2019
Quarterly Report
Third Quarter

For the Quarter Ended September 30, 2019

REPORT OF MANAGEMENT

The undersigned certify that we have reviewed this report, that 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 our knowledge and belief.

Derrell Chapman, CPA, Chief Executive Officer
November 6, 2019

Terry Milligan, Chairman, Board of Directors
November 6, 2019

Daryl D. Belt, Chief Financial Officer
November 6, 2019

John Shinn, CPA. Chairman, Audit Committee
November 6, 2019

LEGACY AG CREDIT, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Legacy Ag Credit, ACA (Agricultural Credit Association), referred to as the association, for the quarter ended September 30, 2019. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2018 Annual Report to Stockholders.

The association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the association's audit committee.

Significant Events:

In February 2019, the board of directors approved a patronage payment of $2,300,000 related to 2018 earnings which was paid in April 2019.

Loan Portfolio:

Total loans outstanding at September 30, 2019, including nonaccrual loans, were $277,462,904 compared to $263,318,709 at December 31, 2018, reflecting an increase of 5.3 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.62 percent at September 30, 2019, compared to 0.52 percent at December 31, 2018.

The association recorded $68,753 in recoveries and $0 in charge-offs for the quarter ended September 30, 2019, and $10,280 in recoveries and $0 in charge-offs for the same period in 2018. The association's allowance for loan losses was 0.46 percent and 0.50 percent of total loans outstanding as of September 30, 2019, and December 31, 2018, respectively.

Risk Exposure:

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The following table illustrates the association's components and trends of high-risk assets.

	September 30, 2019		December 31, 2018	
	Amount	**%**	Amount	%
Nonaccrual	**$ 1,721,145**	**37.9%**	$ 1,376,052	31.8%
Formally restructured	**2,820,690**	**62.1%**	2,899,964	67.1%
Other property owned, net	**-**	**0.0%**	49,290	1.1%
Total	**$ 4,541,835**	**100.0%**	$ 4,325,306	100.0%

Results of Operations:

The association had net income of $996,334 and $2,918,537 for the three and nine months ended September 30, 2019, as compared to net income of $1,029,352 and $3,072,323 for the same period in 2018, reflecting a decrease of 3.2 and 5.0 percent. Net interest income was $2,132,226 and $6,023,852 for the three and nine months ended September 30, 2019, compared to $2,018,987 and $5,872,867 for the same period in 2018.

	Nine Months Ended			
	September 30, 2019		September 30, 2018	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 269,195,457**	**$ 11,035,567**	$ 254,319,437	$ 10,016,517
Interest-bearing liabilities	**214,761,930**	**5,011,715**	200,328,253	4,143,650
Impact of capital	**$ 54,433,527**		$ 53,991,184	
Net interest income		**$ 6,023,852**		$ 5,872,867

	2019 Average Yield	2018 Average Yield
Yield on loans	**5.48%**	5.27%
Cost of interest-bearing liabilities	**3.12%**	2.77%
Interest rate spread	**2.36%**	2.50%
Net interest income as a percentage of average earning assets	**2.99%**	3.09%

	Nine months ended: September 30, 2019 vs. September 30, 2018		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 585,896**	**$ 433,154**	**$ 1,019,050**
Interest expense	**298,552**	**569,513**	**868,065**
Net interest income	**$ 287,344**	**$ (136,359)**	**$ 150,985**

Interest income for the three and nine months ended September 30, 2019, increased by $377,559 and $1,019,050, or 10.7 and 10.2 percent respectively, from the same period of 2018, primarily due to increases in yields on earning assets and an increase in average loan volume. Interest expense for the three and nine months ended September 30, 2019, increased by $264,320 and $868,065, or 17.7 and 21.0 percent, from the same period of 2018 due to an increase in interest rates as well as an increase in average debt volume. Average loan volume for the third quarter of 2019 was $276,501,439, compared to $260,001,346 in the third quarter of 2018. The average net interest rate spread on the loan portfolio for the third quarter of 2019 was 2.45 percent, compared to 2.50 percent in the third quarter of 2018.

The association's return on average assets for the nine months ended September 30, 2019, was 1.42 percent compared to 1.57 percent for the same period in 2018. The association's return on average equity for the nine months ended September 30, 2019, was 6.61 percent, compared to 7.07 percent for the same period in 2018.

Liquidity and Funding Sources:

The association secures the majority of its lendable funds from the Farm Credit Bank of Texas (the bank), which obtains its funds through the issuance of System-wide obligations and with lendable equity. The following schedule summarizes the association's borrowings.

	September 30, 2019	December 31, 2018
Note payable to the bank	**$ 223,638,335**	$ 207,561,145
Accrued interest on note payable	**567,998**	541,350
Total	**$ 224,206,333**	$ 208,102,495

The association operates under a general financing agreement (GFA) with the bank. The current GFA is effective through September 30, 2020. The primary source of liquidity and funding for the association is a direct loan from the bank. The outstanding balance of $223,638,335 as of September 30, 2019, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 3.12 percent at September 30, 2019. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the bank and is governed by the general financing agreement. The increase in note payable to the bank and related accrued interest payable since December 31, 2018, is due to the association's increase in loan volume as well as an increase in costs related to construction of two branch offices. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were $52,842,108 at September 30, 2019. The maximum amount the association may borrow from the bank as of September 30, 2019, was $267,564,559 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, unless sooner terminated by the bank upon the occurrence of an event of default, or by the association, in the event of a breach of this agreement by the bank, upon giving the bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the bank 120 days' prior written notice.

The liquidity policy of the association is to manage cash balances, to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued in the future. As borrower payments are received, they are applied to the association's note payable to the bank.

Capital Resources:

The association's capital position increased by $612,693 at September 30, 2019, compared to December 31, 2018. The association's debt as a percentage of members' equity was 3.76:1 as of September 30, 2019, compared to 3.53:1 as of December 31, 2018.

Farm Credit Administration regulations require us to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of September 30, 2019, the association exceeded all regulatory capital requirements.

Relationship With the Farm Credit Bank of Texas:

The association's financial condition may be impacted by factors that affect the bank. The financial condition and results of operations of the bank may materially affect the stockholder's investment in the association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2018 Annual Report of Legacy Ag Credit, ACA more fully describe the association's relationship with the bank.

The annual and quarterly stockholder reports of the bank are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9204. The annual and quarterly stockholder reports for the bank are also available on its website at *www.farmcreditbank.com.*

The association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Legacy Ag Credit, ACA, 303 Connally St., Sulphur Springs, TX 75482 or calling (903) 885-9566. The annual and quarterly stockholder reports for the association are also available on its website at www.legacyaca.com. Copies of the association's quarterly stockholder reports can also be requested by e-mailing sherry.sturgis@legacyaca.com.

LEGACY AG CREDIT, ACA

CONSOLIDATED BALANCE SHEET

	September 30, 2019 (unaudited)	December 31, 2018
ASSETS		
Cash	$ 134,616	$ 126,946
Loans	277,462,904	263,318,709
Less: allowance for loan losses	1,283,723	1,312,470
Net loans	276,179,181	262,006,239
Accrued interest receivable	1,980,816	1,284,169
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	4,029,425	4,029,425
Other	1,044,929	412,621
Other property owned, net	-	49,290
Premises and equipment, net	1,709,630	752,579
Other assets	188,616	160,833
Total assets	$ 285,267,213	$ 268,822,102
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	$ 223,638,335	$ 207,561,145
Advance conditional payments	1,420	10,007
Accrued interest payable	568,366	546,755
Drafts outstanding	60,006	47,964
Other liabilities	1,069,868	1,339,706
Total liabilities	225,337,995	209,505,577
MEMBERS' EQUITY		
Capital stock and participation certificates	1,071,630	1,074,840
Unallocated retained earnings	58,801,440	58,182,546
Accumulated other comprehensive income (loss)	56,148	59,139
Total members' equity	59,929,218	59,316,525
Total liabilities and members' equity	$ 285,267,213	$ 268,822,102

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

LEGACY AG CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
INTEREST INCOME				
Loans	**$ 3,892,273**	$ 3,514,714	**$ 11,035,567**	$ 10,016,517
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**1,760,047**	1,495,727	**5,011,669**	4,143,649
Advance conditional payments	**-**	-	**46**	1
Total interest expense	**1,760,047**	1,495,727	**5,011,715**	4,143,650
Net interest income	**2,132,226**	2,018,987	**6,023,852**	5,872,867
PROVISION FOR LOAN LOSSES	**24,853**	7,986	(32,347)	(130,853)
Net interest income after provision for loan losses	**2,107,373**	2,011,001	**6,056,199**	6,003,720
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**270,743**	262,663	**785,171**	723,842
Loan fees	**54,217**	32,844	**101,159**	84,956
Refunds from Farm Credit System Insurance Corporation	**-**	-	**46,063**	135,518
Financially related services income	**9**	39	**212**	291
Gain (loss) on other property owned, net	**-**	36,028	**8,724**	36,028
Gain (loss) on sale of premises and equipment, net	**6,530**	-	**16,665**	33,164
Other noninterest income	**(18,172)**	(17,348)	**57,987**	44,016
Total noninterest income	**313,327**	314,226	**1,015,981**	1,057,815
NONINTEREST EXPENSES				
Salaries and employee benefits	**922,651**	834,855	**2,624,785**	2,491,844
Directors' expense	**45,906**	40,614	**167,087**	157,605
Purchased services	**80,413**	120,679	**318,784**	321,046
Travel	**84,607**	67,929	**230,190**	179,022
Occupancy and equipment	**61,173**	51,187	**191,054**	165,936
Communications	**31,053**	21,629	**67,191**	96,566
Advertising	**28,263**	30,363	**83,317**	67,531
Public and member relations	**53,808**	27,127	**112,210**	71,978
Supervisory and exam expense	**27,346**	30,120	**87,585**	84,729
Insurance Fund premiums	**38,981**	37,133	**114,457**	108,365
Loss on other property owned	**-**	6,536	**1,633**	14,821
Provision for other property owned	**-**	(10,906)	**-**	72,217
Other components of net periodic postretirement benefit cost	**1,735**	869	**5,205**	2,605
Other noninterest expense	**48,430**	37,740	**150,145**	154,947
Total noninterest expenses	**1,424,366**	1,295,875	**4,153,643**	3,989,212
NET INCOME	**996,334**	1,029,352	**2,918,537**	3,072,323
Other comprehensive income:				
Change in postretirement benefit plans	**(997)**	(1,692)	**(2,991)**	(5,076)
COMPREHENSIVE INCOME	**$ 995,337**	$ 1,027,660	**$ 2,915,546**	$ 3,067,247

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

LEGACY AG CREDIT, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2017	$ 1,106,505	$ 54,313,434	$ 38,931	$ 55,458,870
Comprehensive income	-	3,072,323	(5,076)	3,067,247
Capital stock/participation certificates and allocated retained earnings issued	87,235	-	-	87,235
Capital stock/participation certificates and allocated retained earnings retired	(124,015)	-	-	(124,015)
Patronage paid		(21)	-	(21)
Balance at September 30, 2018	$ 1,069,725	$ 57,385,736	$ 33,855	$ 58,489,316
Balance at December 31, 2018	$ 1,074,840	$ 58,182,546	$ 59,139	$ 59,316,525
Comprehensive income	-	2,918,537	(2,991)	2,915,546
Capital stock/participation certificates and allocated retained earnings issued	105,875	-	-	105,875
Capital stock/participation certificates and allocated retained earnings retired	(109,085)	-	-	(109,085)
Cash		(2,299,643)	-	(2,299,643)
Balance at September 30, 2019	**$ 1,071,630**	**$ 58,801,440**	**$ 56,148**	**$ 59,929,218**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Legacy Ag Credit, ACA (Agricultural Credit Association), referred to as the association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The association serves the counties of Franklin, Gregg, Harrison, Hopkins, Kaufman, Marion, Rains, Upshur, Van Zandt and Wood in the state of Texas. The association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2018, as contained in the 2018 Annual Report to Stockholders.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP), except for the inclusion of a statement of cash flows. GAAP require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the association has elected not to include a statement of cash flows in these consolidated financial statements. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2018, as contained in the 2018 Annual Report to Stockholders. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2018. Descriptions of the significant accounting policies are included in the 2018 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

In August 2018, the Financial Accounting Standards Board (FASB) issued guidance entitled "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Cost." The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this guidance. This guidance becomes effective for interim and annual periods beginning after December 15, 2019. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. Early adoption is permitted. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The Association is evaluating the impact of adoption on the Association's financial condition and its results of operations.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans." The guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance becomes effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The guidance is to be applied on a retrospective basis for all periods. The adoption of this guidance will not impact the Association's financial condition or its results of operations, but will impact the employee benefit plan disclosures.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement." The guidance modifies the requirements on fair value measurements by removing, modifying or adding to the disclosures. This guidance becomes effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted and an entity is permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The adoption of this guidance will not impact the Association's financial condition or its results of operations, but will impact the fair value measurements disclosures.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." 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. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance becomes effective for interim and annual periods beginning after December 15, 2020, with early application permitted. The Association is evaluating the impact of adoption on its financial condition and results of operations.

In February 2016, the FASB issued guidance entitled "Leases." The guidance requires the recognition by lessees of lease assets and lease liabilities on the balance sheet for the rights and obligations created by those leases. Leases with lease terms of more than 12 months are impacted by this guidance. The guidance and related amendments in this update became effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The adoption of this guidance did not materially impact the Association's financial condition and results of operations but did impact lease disclosures. The Association adopted this guidance on January 1, 2019 and upon adoption, there was no adjustment to the balance sheet.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management's estimates. The results for the quarter ended September 30, 2019, are not necessarily indicative of the results to be expected for the year ended December 31, 2018. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**September 30, 2019 Amount**	December 31, 2018 Amount
Production agriculture:		
Real estate mortgage	**$ 225,733,671**	$ 217,039,403
Production and intermediate term	**12,645,397**	12,678,345
Agribusiness:		
Loans to cooperatives	**2,276,248**	1,935,072
Processing and marketing	**19,696,012**	18,082,298
Farm-related business	**376,979**	703,844
Communication	**7,089,923**	2,885,865
Energy	**4,066,950**	4,102,815
Water and waste water	**1,995,877**	1,995,244
Rural residential real estate	**3,581,847**	3,895,823
Total	**$ 277,462,904**	$ 263,318,709

The association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at September 30, 2019:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ -	$ 382,956	$ -	$ -	$ -	$ 382,956
Production and intermediate term	6,797,081	-	-	-	6,797,081	-
Agribusiness	22,349,239	-	-	-	22,349,239	-
Communication	7,089,923	-	-	-	7,089,923	-
Energy	4,066,950	-	-	-	4,066,950	-
Water and waste water	1,995,877	-	-	-	1,995,877	-
Rural residential real estate	-	-	-	-	-	-
Agricultural export finance	-	-	-	-	-	-
Lease receivables	-	-	-	-	-	-
Mission-related investments	-	-	-	-	-	-
Total	$ 42,299,070	$ 382,956	$ -	$ -	$ 42,299,070	$ 382,956

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	September 30, 2019	December 31, 2018
Nonaccrual loans:		
Real estate mortgage	$ 1,252,072	$ 1,146,265
Production and intermediate term	469,073	229,787
Total nonaccrual loans	1,721,145	1,376,052
Accruing restructured loans:		
Real estate mortgage	2,820,690	2,899,964
Total accruing restructured loans	2,820,690	2,899,964
Total nonperforming loans	4,541,835	4,276,016
Other property owned	-	49,290
Total nonperforming assets	$ 4,541,835	$ 4,325,306

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

- Acceptable – assets are expected to be fully collectible and represent the highest quality;
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness;
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan;
- Doubtful – assets 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 – assets are considered uncollectible.

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of:

	September 30, 2019	December 31, 2018
Real estate mortgage		
Acceptable	**96.2** %	97.8 %
OAEM	**3.0**	1.3
Substandard/doubtful	**0.8**	0.9
	100.0	100.0
Production and intermediate term		
Acceptable	**93.0**	95.5
OAEM	**3.3**	2.7
Substandard/doubtful	**3.7**	1.8
	100.0	100.0
Loans to cooperatives		
Acceptable	**100.0**	100.0
OAEM	-	-
Substandard/doubtful	-	-
	100.0	100.0
Processing and marketing		
Acceptable	**93.4**	100.0
OAEM	**6.6**	-
Substandard/doubtful	-	-
	100.0	100.0
Farm-related business		
Acceptable	**100.0**	100.0
OAEM	-	-
Substandard/doubtful	-	-
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	-	-
Substandard/doubtful	-	-
	100.0	100.0
Energy		
Acceptable	**100.0**	100.0
OAEM	-	-
Substandard/doubtful	-	-
	100.0	100.0
Water and waste water		
Acceptable	**100.0**	100.0
OAEM	-	-
Substandard/doubtful	-	-
	100.0	100.0
Rural residential real estate		
Acceptable	**99.5**	99.5
OAEM	**0.5**	0.5
Substandard/doubtful	-	-
	100.0	100.0
Total loans		
Acceptable	**96.1**	98.0
OAEM	**3.1**	1.2
Substandard/doubtful	**0.8**	0.8
	100.0 %	100.0 %

The following tables provide an age analysis of past due loans (including accrued interest) as of:

September 30, 2019	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 21,744**	**$ 706,717**	**$ 728,461**	**$ 226,619,605**	**$ 227,348,066**	**$ -**
Production and intermediate term	**4,355**	**464,717**	**469,072**	**12,452,924**	**12,921,996**	**-**
Loans to cooperatives	**-**	**-**	**-**	**2,284,834**	**2,284,834**	**-**
Processing and marketing	**-**	**-**	**-**	**19,735,841**	**19,735,841**	**-**
Farm-related business	**-**	**-**	**-**	**377,783**	**377,783**	**-**
Communication	**-**	**-**	**-**	**7,096,483**	**7,096,483**	**-**
Energy	**-**	**-**	**-**	**4,078,084**	**4,078,084**	**-**
Water and waste water	**-**	**-**	**-**	**2,006,099**	**2,006,099**	**-**
Rural residential real estate	**18,238**	**-**	**18,238**	**3,576,296**	**3,594,534**	**-**
Total	**$ 44,337**	**$ 1,171,434**	**$ 1,215,771**	**$ 278,227,949**	**$ 279,443,720**	**$ -**

December 31, 2018	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 1,132,372	$ -	$ 1,132,372	$ 216,979,649	$ 218,112,021	$ -
Production and intermediate term	222,595	-	222,595	12,596,315	12,818,910	-
Loans to cooperatives	-	-	-	1,941,592	1,941,592	-
Processing and marketing	-	-	-	18,095,013	18,095,013	-
Farm-related business	-	-	-	705,252	705,252	-
Communication	-	-	-	2,885,997	2,885,997	-
Energy	56,913	-	56,913	4,058,004	4,114,917	-
Water and waste water	-	-	-	2,025,466	2,025,466	-
Rural residential real estate	-	-	-	3,903,710	3,903,710	-
Total	$ 1,411,880	$ -	$ 1,411,880	$ 263,190,998	$ 264,602,878	$ -

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

A restructuring of a debt constitutes a troubled debt restructuring 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. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of September 30, 2019, the total recorded investment of troubled debt restructured loans was $2,820,690, including $0 classified as nonaccrual and $2,820,690 classified as accrual, with specific allowance for loan losses of $0. The specific allowance is determined quarterly through a net realizable value analysis for each individual loan asset. As of September 30, 2019, there were no commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring.

There were no troubled debt restructurings, which includes both accrual and nonaccrual loans with troubled debt restructuring designation, that occurred during the three months ended September 30, 2019. Loans formally restructured prior to January 1, 2018, were $2,820,690.

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest). There were no charge-offs recorded for the quarter ending September 30, 2019.

The predominant form of concession granted for troubled debt restructuring includes principal and interest reductions. Other types of modifications include extension of the term, principal or accrued interest reductions, interest rate decreases and delayed payments, among others. At times, these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case we assess all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

There were no loans that met the accounting criteria as a troubled debt restructuring and that occurred within the previous 12 months and for which there was a subsequent payment default during the period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

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

	Loans Modified as TDRs		TDRs in Nonaccrual Status*	
	September 30, 2019	December 31, 2018	**September 30, 2019**	December 31, 2018
Real estate mortgage	**$ 2,820,690**	$ 3,041,055	**$ -**	$ 141,091
Total	**$ 2,820,690**	$ 3,041,055	**$ -**	$ 141,091

Additional impaired loan information is as follows:

	September 30, 2019			December 31, 2018		
	Recorded Investment	**Unpaid Principal Balance[a]**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Production and intermediate term	**$ 464,717**	**$ 464,717**	**$471,062**	$ -	$ -	$ -
Total	**$ 464,717**	**$ 464,717**	**$471,062**	$ -	$ -	$ -
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$4,072,762**	**$ 4,058,917**	**$ -**	$ 4,046,230	$4,051,035	$ -
Production and intermediate term	**4,355**	**799,416**	**-**	229,787	1,029,347	-
Total	**$4,077,117**	**$ 4,858,333**	**$ -**	$ 4,276,017	$5,080,382	$ -
Total impaired loans:						
Real estate mortgage	**$4,072,762**	**$ 4,058,917**	**$ -**	$ 4,046,230	$4,051,035	$ -
Production and intermediate term	**469,072**	**1,264,133**	**471,062**	229,787	1,029,347	-
Total	**$4,541,834**	**$ 5,323,050**	**$471,062**	$ 4,276,017	$5,080,382	$ -

[a] Unpaid principal balance represents the recorded principal balance of the loan.

	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2019		September 30, 2018		**September 30, 2019**		September 30, 2018	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized	**Average Impaired Loans**	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:								
Production and intermediate term	**$ 420,478**	**$ -**	$ -	$ -	**$ 334,999**	**$ -**	$ -	$ -
Total	**$ 420,478**	**$ -**	$ -	$ -	**$ 334,999**	**$ -**	$ -	$ -
Impaired loans with no related allowance for credit losses:								
Real estate mortgage	**$3,750,452**	**$ 206,372**	$3,901,515	$ 89,426	**$3,653,819**	**$ 400,726**	$3,947,392	$ 223,781
Production and intermediate term	**5,039**	**150**	31,033	58,119	**5,980**	**450**	196,176	85,147
Total	**$3,755,491**	**$ 206,522**	$3,932,548	$ 147,545	**$3,659,799**	**$ 401,176**	$4,143,568	$ 308,928
Total impaired loans:								
Real estate mortgage	**$3,750,452**	**$ 206,372**	$3,901,515	$ 89,426	**$3,653,819**	**$ 400,726**	$3,947,392	$ 223,781
Production and intermediate term	**425,517**	**150**	31,033	58,119	**340,979**	**450**	196,176	85,147
Total	**$4,175,969**	**$ 206,522**	$3,932,548	$ 147,545	**$3,994,798**	**$ 401,176**	$4,143,568	$ 308,928

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy	Water/Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:								
Balance at June 30, 2019	$ 752,250	$ 371,773	$ 44,809	$ 2,980	$ 11,906	$ 1,635	$ 3,763	$ 1,189,116
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	68,254	1,500	-	-	-	-	-	69,754
Provision for loan losses	(139,831)	161,705	2,392	628	(3)	-	(38)	24,853
Balance at September 30, 2019	$ 680,673	$ 534,978	$ 47,201	$ 3,608	$ 11,903	$ 1,635	$ 3,725	$ 1,283,723
Balance at December 31, 2018	$ 1,203,155	$ 62,480	$ 29,152	$ 2,112	$ 9,826	$ 1,764	$ 3,981	$ 1,312,470
Charge-offs	(69,154)	-	-	-	-	-	-	(69,154)
Recoveries	68,254	4,500	-	-	-	-	-	72,754
Provision for loan losses	(521,582)	467,998	18,049	1,496	2,077	(129)	(256)	(32,347)
Balance at September 30, 2019	$ 680,673	$ 534,978	$ 47,201	$ 3,608	$ 11,903	$ 1,635	$ 3,725	$ 1,283,723
Ending Balance:								
Individually evaluated for impairment	$ -	$ 471,063	$ -	$ -	$ -	$ -	$ -	$ 471,063
Collectively evaluated for impairment	680,673	63,916	47,201	3,608	11,902	1,635	3,725	812,660
Balance at September 30, 2019	$ 680,673	$ 534,979	$ 47,201	$ 3,608	$ 11,902	$ 1,635	$ 3,725	$ 1,283,723
Balance at June 30, 2018	$ 1,174,090	$ 72,222	$ 34,845	$ 4,099	$ 36,702	$ 1,766	$ 3,592	$ 1,327,316
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	10,280	-	-	-	-	-	10,280
Provision for loan losses	34,969	(22,265)	(2,698)	(1,114)	(1,158)	2	250	7,986
Balance at September 30, 2018	$ 1,209,059	$ 60,237	$ 32,147	$ 2,985	$ 35,544	$ 1,768	$ 3,842	$ 1,345,582
Balance at December 31, 2017	$ 1,140,115	$ 70,405	$ 37,872	$ 3,938	$ 44,078	$ 2,253	$ 3,970	$ 1,302,631
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	173,804	-	-	-	-	-	173,804
Provision for loan losses	68,944	(183,972)	(5,725)	(953)	(8,534)	(485)	(128)	(130,853)
Balance at September 30, 2018	$ 1,209,059	$ 60,237	$ 32,147	$ 2,985	$ 35,544	$ 1,768	$ 3,842	$ 1,345,582
Ending Balance:								
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	1,209,059	60,237	32,147	2,985	35,544	1,768	3,842	1,345,582
Balance at September 30, 2018	$ 1,209,059	$ 60,237	$ 32,147	$ 2,985	$ 35,544	$ 1,768	$ 3,842	$ 1,345,582

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy	Water/Waste Water	Rural Residential Real Estate	Total
Recorded Investments in Loans Outstanding:								
Ending Balance at September 30, 2019	$ 227,348,066	$ 12,921,996	$ 22,398,458	$ 7,096,483	$ 4,078,084	$2,006,099	$ 3,594,534	$ 279,443,720
Individually evaluated for impairment	$ 4,072,762	$ 469,073	$ -	$ -	$ -	$ -	$ -	$ 4,541,835
Collectively evaluated for impairment	$ 223,275,304	$ 12,452,923	$ 22,398,458	$ 7,096,483	$ 4,078,084	$2,006,099	$ 3,594,534	$ 274,901,885
Ending Balance at September 30, 2018	$ 216,134,138	$ 13,184,325	$ 24,380,181	$ 2,890,277	$ 4,125,517	$2,005,253	$ 3,734,618	$ 266,454,309
Individually evaluated for impairment	$ 3,913,571	$ 9,322	$ -	$ -	$ -	$ -	$ -	$ 3,922,893
Collectively evaluated for impairment	$ 212,220,567	$ 13,175,003	$ 24,380,181	$ 2,890,277	$ 4,125,517	$2,005,253	$ 3,734,618	$ 262,531,416

NOTE 3 — CAPITAL:

The association’s board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the association’s permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the association's goals and objectives with the board.

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Minimums	Conservation Buffer	Total	As of September 30, 2019	As of December 31, 2018
Common equity tier 1 ratio	4.50%	2.50%	7.00%	21.37%	21.78%
Tier 1 capital ratio	6.00%	2.50%	8.50%	21.37%	21.78%
Total capital ratio	8.00%	2.50%	10.50%	21.86%	22.32%
Permanent capital ratio	7.00%	0.00%	7.00%	21.48%	21.90%
Non-risk-adjusted:					
Tier 1 leverage ratio	4.00%	1.00%	5.00%	19.68%	20.45%
UREE leverage ratio	1.50%	0.00%	1.50%	20.75%	21.43%

(dollars in thousands)	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	**40,334,305**	**40,334,305**	**40,334,305**	**40,334,305**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**1,069,711**	**1,069,711**	**1,069,711**	**1,069,711**
Allocated equities:				
Nonqualified allocated equities not subject to retirement	**17,565,823**	**17,565,823**	**17,565,823**	**17,565,823**
Allowance for loan losses and reserve for credit losses subject to certain limitations			**1,248,910**	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(4,029,425)**	**(4,029,425)**	**(4,029,425)**	**(4,029,425)**
	54,940,414	**54,940,414**	**56,189,324**	**54,940,414**
Denominator:				
Risk-adjusted assets excluding allowance	**261,061,716**	**261,061,716**	**261,061,716**	**261,061,716**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(4,029,425)**	**(4,029,425)**	**(4,029,425)**	**(4,029,425)**
Allowance for loan losses				**(1,248,910)**
	257,032,291	**257,032,291**	**257,032,291**	**255,783,381**

(dollars in thousands)	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	**40,334,305**	**40,334,305**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**1,069,712**	**-**
Allocated equities:		
Nonqualified allocated equities not subject to retirement	**17,565,823**	**17,565,823**
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(4,029,425)**	**-**
	54,940,415	**57,900,128**
Denominator:		
Total Assets	**284,690,171**	**284,690,171**
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	**(5,586,740)**	**(5,586,740)**
	279,103,431	**279,103,431**

An additional component of equity is accumulated other comprehensive income, which is reported net of taxes, is as follows:

Accum Other Comp Income (Loss)			
September 30, 2019	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**$ 56,148**	**$ -**	**$ 56,148**
September 30, 2018	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ 33,855	$ -	$ 33,855

The association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statement of Comprehensive Income. The following table summarizes the changes in accumulated other comprehensive income (loss) for the nine months ended September 30:

	2019	**2018**
Accumulated other comprehensive income (loss) at January 1	**$ 59,139**	$ 38,931
Amortization of prior service (credit) costs included in salaries and employee benefits	**(1,174)**	(4,609)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**(1,817)**	(467)
Other comprehensive income (loss), net of tax	**(2,991)**	(5,076)
Accumulated other comprehensive income at September 30	**$ 56,148**	$ 33,855

NOTE 4 — INCOME TAXES:

Legacy Ag Credit, ACA conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly-owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. Legacy Ag Credit, ACA operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, Legacy Ag Credit, ACA can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized.

NOTE 5 — FAIR VALUE MEASUREMENTS:

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 13 to the 2018 Annual Report to Stockholders for a more complete description.

Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

September 30, 2019	**Fair Value Measurement Using**			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Assets:					
Loans*	**$ -**	**$ -**	**$ (6,889)**	**$ (6,889)**	**$ -**
Other property owned	**-**	**-**	**-**	**-**	**-**

December 31, 2018	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Assets:					
Loans*	$ -	$ -	$ -	$ -	$ -
Other property owned	-	-	54,000	54,000	-

*Represents the fair value of certain loans that were evaluated for impairment under authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral.

Information About Nonrecurring Level 3 Fair Value Measurements

With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs, as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and take into account unobservable inputs, such as income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

As more fully discussed in Note 13 to the 2018 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the association's assets and liabilities. For a more complete description, see Notes to the 2018 Annual Report to Stockholders.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of the other property owned involves the use of independent appraisals and other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy.

NOTE 6 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the three and nine months ended September 30:

Three months ended September 30 :

	Other Benefits	
	2019	2018
Service cost	**$ 1,696**	$ 2,066
Interest cost	**2,732**	2,560
Amortization of prior service (credits) costs	**(391)**	(1,536)
Amortization of net actuarial (gain) loss	**(606)**	(155)
Net periodic benefit cost	**$ 3,431**	$ 2,935

Nine months ended September 30 :

	Other Benefits	
	2019	2018
Service cost	**$ 5,089**	$ 6,199
Interest cost	**8,195**	7,680
Amortization of prior service (credits) costs	**(1,174)**	(4,609)
Amortization of net actuarial (gain) loss	**(1,817)**	(467)
Net periodic benefit cost	**$ 10,293**	$ 8,803

The association's liability for the unfunded accumulated obligation for these benefits at September 30, 2019, was $239,955 and is included in "Other Liabilities" in the balance sheet.

The components of net periodic benefit cost other than the service cost component are included in the line item "other components of net periodic postretirement benefit cost" in the income statement.

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (bank and associations). The association recognizes its amortized annual contributions to the plan as an expense. The association previously disclosed in its financial statements for the year ended December 31, 2018, that it expected to contribute $0 to the district's defined benefit pension plan in 2018. As of September 30, 2019, $0 of contributions have been made.

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

The association is involved in various legal proceedings in the normal course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the association

NOTE 8 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through November 6, 2019, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of this date.