TEXAS FARM CREDIT

2018 ANNUAL REPORT

December 31, 2018

Part of the Farm Credit System

WORKING HARD TO HELP OUR CUSTOMERS GROW

DUSTIN AND ASHLEY DICKERSON


BRYCE AND HUNTER WILDE

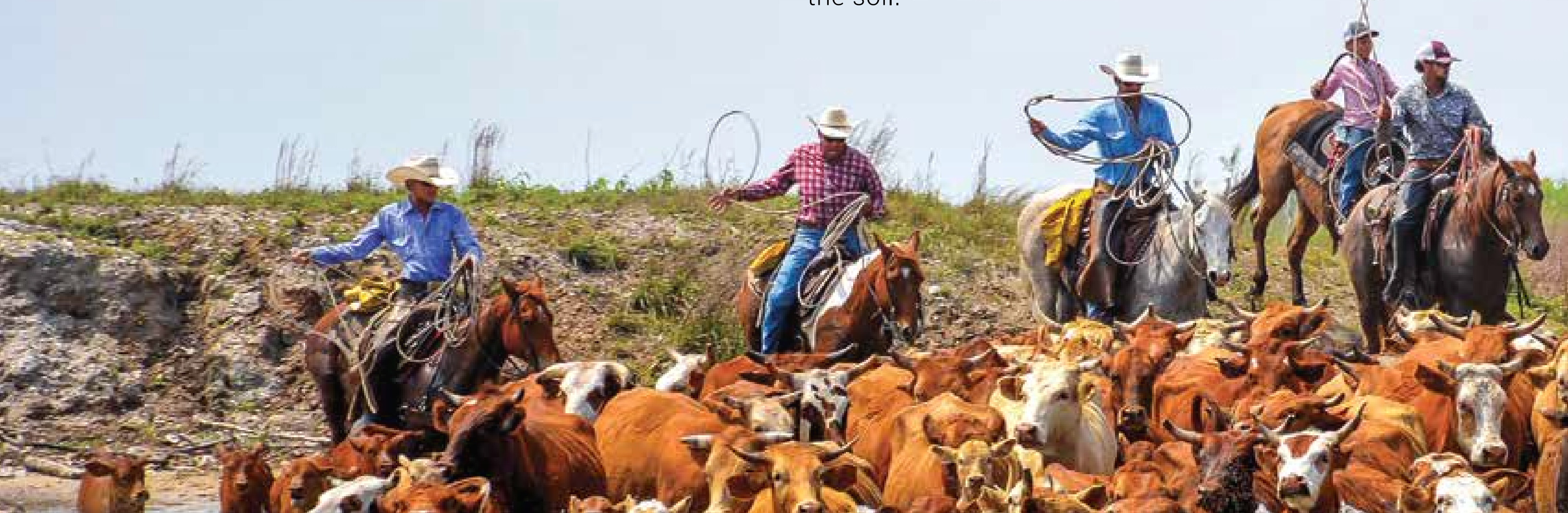
Dustin and Ashley Dickerson represented Texas Farm Credit at the 2018 Farm Credit Young Leaders Program, getting a look at how Farm Credit uses its cooperative structure and unique funding to lend support to rural communities and agriculture. As part of the program, the couple traveled first to Washington, D.C., where they discussed policy issues with USDA officials, U.S. Sen. John Cornyn and U.S. Rep. Filemon Vela. The group then traveled to New York City, to learn how the sale of Farm Credit notes and bonds to investors provides a steady stream of funding for local lending cooperatives like Texas Farm Credit.

Dustin is a fourth-generation farmer, and Ashley keeps the books for the farm, which mainly grows sugarcane, cotton, corn and grain sorghum. Both are also vice presidents of the Algodon Club, a nonprofit civic organization that promotes cotton.

Brothers Bryce and Hunter Wilde know the value of a good relationship. Since they own only about 10 percent of the several thousand acres of grain sorghum, cotton and sugarcane they farm, the two, who partner with their parents, make it a priority to form relationships with their landowners and to show they are good stewards of the land.

When it came time to make a cost-saving decision to purchase their own used cotton harvester, the brothers turned to their Texas Farm Credit loan officer for advice. The family's Anaqua Farms is actually four companies under one roof, and they appreciate having a tenured ag lender who understands their complex operation.

With a focus on long-term sustainability, Anaqua Farms is in the process of incorporating new practices, including strip-till and no-till farming methods and cover crops, that will help retain soil moisture and nourish the soil.



At Texas Farm Credit, we enjoy nothing more than helping our member-borrowers succeed. Whether they are expanding their own operations, improving their leadership skills or helping to grow their local economies, these four customers caught our eye in 2018.

THE MANGOLD FAMILY

For Rollin and Dawn Mangold, dependable financing from Texas Farm Credit came at the perfect time, allowing for the rapid growth of their diversified farming operation.

A few years ago, the Mangolds, who partner with Rollin's nephew Matthew Mangold, found themselves in the market for a new lender after their local bank was sold. With Texas Farm Credit as their new lender, they leased additional land and were able to take advantage of strong commodity prices. Today, Rollin and Matthew grow corn, cotton, wheat, oats, grain sorghum, sunflowers and vegetables, farming both jointly and separately.

Under the advice of Texas Farm Credit, the Mangolds also reduced their equipment debt while acquiring an advanced cotton picker-baler that has made their operation more efficient. The reduction in harvest time allows Rollin more quality time with Dawn and their son, Walt.

REUS GRAIN

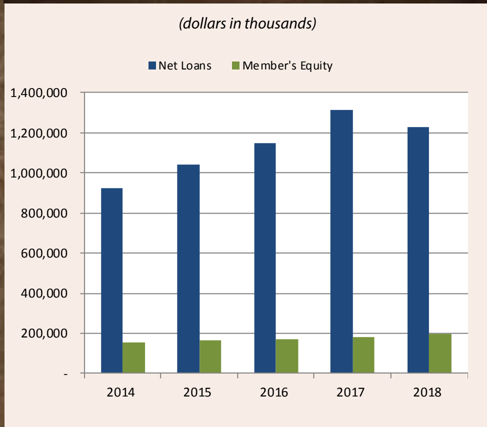
William and Mark Reus own and operate Reus Grain, a third-generation grain operation where the father and son grow corn, milo, wheat, oats and cotton. But the business is much more than a farming operation — it also markets both bagged and bulk corn and milo for the wholesale and retail markets.

William's father and uncle bought the farm in 1928, and he later began leasing land from neighbors looking to get out of the business. The family started adding value to the farming operation in the 1980s by selling deer feed to landowners and bagging it so it was easy for customers to transport. Today, William and Mark sell between 800,000 and 1 million bushels of grain annually.

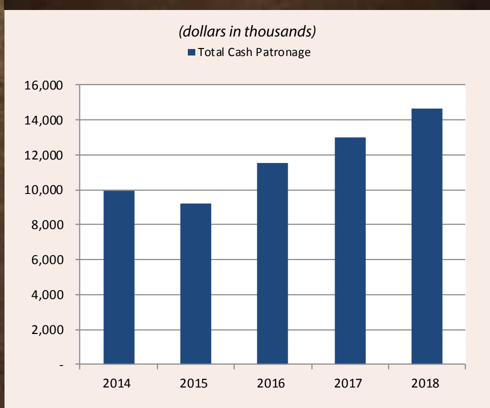
"Farm Credit has helped grow our business into what it is today just by their ability to loan us the financial resources that we needed to grow at the time we needed to do it," Mark says.

FINANCIAL HIGHLIGHTS

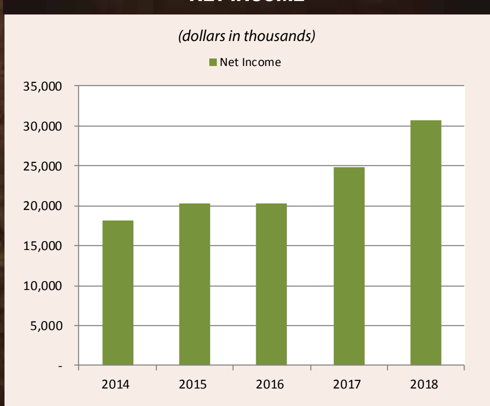
END-OF-YEAR NET LOANS AND MEMBERS' EQUITY



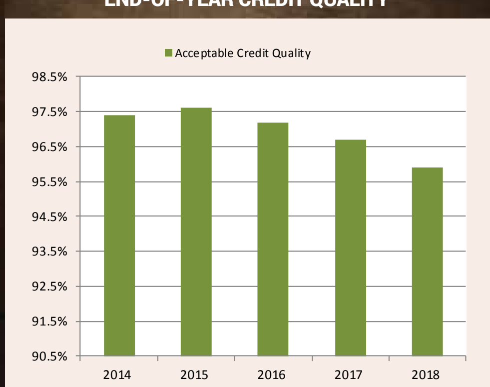
CASH PATRONAGE PAYMENTS



NET INCOME



END-OF-YEAR CREDIT QUALITY



Dear Stockholders:

It's my pleasure to present the 2018 Texas Farm Credit Annual Report. The past year was another solid one for the association. For the second year in a row, we reached new goals for growth — both financially and in the ways we serve our customers.

We broke several records in 2018. Our net income of $30.8 million was the highest on record, a 23.9 percent increase over 2017. In addition, new loan volume was the highest it's ever been. The association declared its largest patronage to date, returning a record $23.1 million of its 2017 net earnings to stockholders last spring. Later in the year, we distributed an additional $5.2 million to customers. This distribution represents surplus earnings that were allocated to borrowers in 2011 for future payment and retained as capital to fund growth.

2018 was the 20th consecutive year that we returned cash to customers and the eighth consecutive year that we retired allocated surplus. We are extremely proud that our cooperative structure allows us to share our earnings with our stockholder-owners, which is another distinct advantage of our business model.

As a member of the Farm Credit System, Texas Farm Credit exists to "support rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow." We have carried out this mission for more than 100 years, and our staff at Texas Farm Credit understands the cyclical nature of agriculture. We will be there for our customers in good times and bad.

These are uncertain times for agriculture. Amidst the uncertainty, one thing is clear: Our borrowers are not in this alone. Texas Farm Credit is a responsible lender. By taking advantage of our current financial successes, we can retain the earnings we need to continue to flourish and grow, even when times get tough.

In addition, we have made efforts to grow the association in ways that will best benefit our customers:

- **New locations offer more access to Texas Farm Credit services.** During 2018, we opened a new office in Rockwall, as well as a new timber lending office in Nacogdoches. We broke ground on a new building in Brenham and are opening a new branch in Laredo — both of which will be ready for business in the months ahead.
- **Our insurance team has grown.** Last fall, we added Alan Miller of Tutt and Miller Insurance Agency and his crop insurance portfolio to our team. Miller has been in the insurance business for 45 years, bringing a tremendous amount of experience and expertise to our crop insurance team.
- **Additional training for staff on how to weather current economic conditions.** As we begin the year ahead, we want our staff to be prepared to assist farmers and ranchers by proactively seeking out solutions to meet customers' needs.
- **Continuing our history of sharing our successes.** We will be increasing our patronage this year in order to get more money into the hands of customers in their possible time of need.

I encourage you to stay in touch with your local lending staff and let them know how we can specifically serve you and your agricultural operation. On behalf of the employees and leadership of Texas Farm Credit, I thank you for your business and wish you a prosperous year ahead.

Sincerely,

Mark Miller
Chief Executive Officer

Table of Contents

REPORT OF MANAGEMENT

The consolidated financial statements of Texas Farm Credit Services (Association) are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' and the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, independent accountants, who also conduct a review of internal controls to the extent necessary to comply with auditing standards solely for the purpose of establishing a basis for reliance thereon in determining the nature, extent and timing of audit tests applied in the audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America. The Association is also examined by the Farm Credit Administration.

The board of directors has overall responsibility for the Association's systems of internal control and financial reporting. The board consults regularly with management and reviews the results of the audits and examinations referred to previously.

The undersigned certify that we have reviewed this annual report, that it has been prepared in accordance with all applicable statutory and regulatory requirements, and that the information contained herein is true, accurate and complete to the best of our knowledge or belief.

Mark Miller, Chief Executive Officer

March 13, 2019

James Dawley, Chairman, Board of Directors

March 13, 2019

Keith A. Ibrom, Chief Financial Officer

March 13, 2019

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Association's chief executive officer and chief financial officer, 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 boards 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 December 31, 2018. In making the assessment, management used the framework in Internal Control—Integrated Framework, 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 concluded that as of December 31, 2018, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2018. A review of the assessment performed was reported to the Association's audit committee.

Mark Miller, Chief Executive Officer

March 13, 2019

Keith A. Ibrom, Chief Financial Officer

March 13, 2019

REPORT OF AUDIT COMMITTEE

The audit committee (committee) is composed of seven members of the board of directors of Texas Farm Credit Services. In 2018, four committee meetings were held. The committee oversees the scope of Texas Farm Credit Services' system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The committee's approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on Texas Farm Credit Services' website. The committee approved the appointment of PricewaterhouseCoopers LLP for 2018.

Management is responsible for Texas Farm Credit Services' internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are prepared under the oversight of the committee. PricewaterhouseCoopers LLP is responsible for performing an independent audit of Texas Farm Credit Services' consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The committee's responsibilities include monitoring and overseeing these processes.

In this context, the committee reviewed and discussed Texas Farm Credit Services' audited consolidated financial statements for the year ended December 31, 2018 (audited consolidated financial statements) with management and PricewaterhouseCoopers LLP. The committee also reviews with PricewaterhouseCoopers LLP the matters required to be discussed by authoritative guidance "The Auditor's Communication With Those Charged With Governance," and both PricewaterhouseCoopers LLP's and Texas Farm Credit Services' internal auditors directly provide reports on significant matters to the committee.

The committee discussed with PricewaterhouseCoopers LLP its independence from Texas Farm Credit Services. The committee also reviewed the nonaudit services provided by PricewaterhouseCoopers LLP and concluded that these services were not incompatible with maintaining the independent accountant's independence. The committee has discussed with management and PricewaterhouseCoopers LLP such other matters and received such assurances from them as the committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the committee recommended that the board of directors include the audited consolidated financial statements in Texas Farm Credit Services' Annual Report to Stockholders for the year ended December 31, 2018.

Audit Committee Members

Gregory T. Richbourg, Audit Committee Chairman
Marion Vines Durand, Audit Committee Vice Chairwoman
Jerry Chappell, Audit Committee Member
James Dawley, Audit Committee Member
David Henneke, Audit Committee Member
Bobby Hobson, Audit Committee Member
John Prukop, Audit Committee Member

March 13, 2019

TEXAS FARM CREDIT SERVICES

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2018	2017	2016	2015	2014
Balance Sheet Data					
Assets					
Cash	**$ 5,082**	$ 4,852	$ 6,024	$ 851	$ 952
Investments	**3,060**	3,610	4,498	5,230	5,952
Loans	**1,227,197**	1,316,909	1,150,515	1,039,169	925,798
Less: allowance for loan losses	**2,996**	3,526	3,686	2,819	1,476
Net loans	**1,224,201**	1,313,383	1,146,829	1,036,350	924,322
Investment in and receivable from the Farm Credit Bank of Texas	**23,228**	22,570	19,514	17,721	16,942
Other property owned, net	**-**	26	90	105	760
Other assets	**26,332**	24,693	22,192	19,344	16,600
Total assets	**$ 1,281,903**	$ 1,369,134	$ 1,199,147	$ 1,079,601	$ 965,528
Liabilities					
Obligations with maturities of one year or less	**$ 24,058**	$ 29,296	$ 24,250	$ 22,551	$ 15,370
Obligations with maturities greater than one year	**1,061,991**	1,158,538	1,004,141	894,083	796,605
Total liabilities	**1,086,049**	1,187,834	1,028,391	916,634	811,975
Members' Equity					
Capital stock and participation certificates	**4,100**	4,013	3,729	3,535	3,367
Preferred Stock Issued	**-**	-	-	47,596	47,596
Additional paid-in capital	**47,596**	47,596	47,596	8,600	9,546
Allocated retained earnings	**54,987**	46,040	44,799	-	-
Unallocated retained earnings	**89,370**	84,440	75,018	103,722	93,879
Accumulated other comprehensive income (loss)	**(199)**	(789)	(386)	(486)	(835)
Total members' equity	**195,854**	181,300	170,756	162,967	153,553
Total liabilities and members' equity	**$ 1,281,903**	$ 1,369,134	$ 1,199,147	$ 1,079,601	$ 965,528
Statement of Income Data					
Net interest income	**$ 36,390**	$ 36,658	$ 32,177	$ 29,820	$ 27,310
(Provision for loan losses) or loan loss reversal	**1,025**	(752)	(603)	(807)	114
Income from the Farm Credit Bank of Texas	**8,463**	5,530	5,145	5,032	4,988
Other noninterest income	**8,606**	5,214	3,520	4,238	3,169
Noninterest expense	**(23,296)**	(21,300)	(19,867)	(18,291)	(17,517)
(Provision for) benefit from income taxes	**(432)**	(521)	(15)	358	79
Net income	**$ 30,756**	$ 24,829	$ 20,357	$ 20,350	$ 18,143
Key Financial Ratios for the Year					
Return on average assets	**2.3%**	1.9%	1.8%	2.0%	2.0%
Return on average members' equity	**15.7%**	13.6%	11.8%	12.5%	11.6%
Net interest income as a percentage of average earning assets	**2.8%**	2.9%	2.9%	3.0%	3.1%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.1%	0.0%	-0.1%	0.1%

TEXAS FARM CREDIT SERVICES

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2018	2017	2016	2015	2014
Key Financial Ratios at Year End *					
Members' equity as a percentage of total assets	**15.3%**	13.2%	14.2%	15.1%	15.9%
Debt as a percentage of members' equity	**554.5%**	655.2%	602.3%	562.5%	528.8%
Allowance for loan losses as a percentage of loans	**0.2%**	0.3%	0.3%	0.3%	0.2%
Common equity tier 1 ratio	**14.8%**	13.2%	n/a	n/a	n/a
Tier 1 capital ratio	**14.8%**	13.2%	n/a	n/a	n/a
Total capital ratio	**15.1%**	13.5%	n/a	n/a	n/a
Permanent capital ratio	**14.9%**	13.2%	14.9%	16.1%	17.1%
Tier 1 leverage ratio	**14.6%**	12.7%	n/a	n/a	n/a
UREE leverage ratio	**10.6%**	9.2%	n/a	n/a	n/a
Net Income Distribution					
Patronage dividends:					
Cash	**$ 14,655**	$ 12,989	$ 11,534	$ 9,231	$ 9,976
Allocated retained earnings	**6,924**	6,121	4,910	1,298	1,169

*Effective January 1, 2017 the new regulatory capital ratios were implemented by the Association. Regulatory ratios remained well above regulatory minimums, including the conservation and leverage buffers at December 31, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Unaudited)

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Texas Farm Credit Services, including its wholly-owned subsidiaries, Texas Farm Credit Services, PCA and Texas Farm Credit Services, FLCA (Association) for the years ended December 31, 2018, 2017 and 2016, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying financial statements were prepared under the oversight of the Association's audit committee.

Forward-Looking Information:

This annual information statement contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," "will" or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international and farm-related business sectors;
- weather-related, disease-related and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry; and
- actions taken by the Federal Reserve System in implementing monetary policy.

Significant Events:

Effective January 1, 2014, AgriLand, FCS and Texas AgFinance, FCS merged to become Texas Farm Credit Services. The merger resulted in geographical and risk-management advantages. The Association expanded its territory into East Texas and now serves 100 counties from the Rio Grande Valley up to the Red River. Furthermore, the merger allowed the Association to expand its loan portfolio diversification with the addition of new commodities unique to the expanded territory.

In accordance with current governance over financial accounting and reporting, Texas AgFinance, FCS acquired AgriLand, FCS. All assets and liabilities of the acquired association were adjusted to reflect the fair market value as of the date of acquisition and are included in the respective line-item balance of the merged Association's Consolidated Balance Sheet. Any discounts or premiums resulting from the fair value adjustments made to the acquired assets and liabilities were offset as an adjustment to the merged Association's additional paid-in-capital line-item of the Consolidated Balance Sheet. The acquired association's total member's equity, with the exception of its capital stock, participation certificates and patronage allocated surplus, was reported as additional paid-in-capital in the merged Association's Consolidated Balance Sheet. The acquired association's capital stock, participation certificates and patronage allocated surplus are included in the respective line-item balance in the merged Association's Consolidated Balance Sheet.

Three board members rendered their retirement notices during 2018. Two members were scheduled for retirement as part of a board approved restructuring plan. The third board member rendered his retirement notice based on personal reasons. The board appointed a regional replacement director to serve the remainder of the term for the unplanned retirement. All three board members had long tenures with the Association ranging from 23 years to over 36 years of service on the Association's board of directors.

Effective February 15, 2018, the Association entered into a Non-Capitalization Participation Pool (NCPP) agreement with the Farm Credit Bank of Texas (Bank) in which the Bank purchased a pool of loans in the amount of $98,651,561 from the Association. Effective October 15, 2018, the NCPP agreement with the Bank was amended to facilitate the Bank's purchase of an additional pool of loans in the amount of $99,631,162. The NCPP agreement requires the Association to service the loans in return for a patronage from the Bank equal to what the Association would have earned were the loans on its books, less a fee. The benefit of the NCPP agreement to the Association is a low-cost improvement to its capital position.

In December 2018, the Association received a direct loan patronage of $4,786,565 from the Bank, representing 42 basis points on the average daily balance of the Association's direct loan with the Bank. The Association received a $2,994,125 patronage based on its Capitalized and Non-Capitalized Participation Pool agreements with the Bank. During 2018, the Association received $510,953 in patronage payments from the Bank, based on the Association's stock investment in the Bank. Also, the Association received a capital markets patronage of $56,015 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program and a special pass-through patronage of $114,884 on participating capital market loans.

For more than 84 years, the Association has continued to provide its members with quality financial services. The board of directors and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, LIBOR-based and prime-based interest rates. Loan maturities range from one to 30 years, with annual operating loans comprising the majority of the commercial loans and 15- to 30-year maturities comprising the majority of the mortgage loans. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

The composition of the Association's loan portfolio, including principal less funds held of $1,227,196,988, $1,316,909,540 and $1,150,514,556 as of December 31, 2018, 2017 and 2016, respectively, is described more fully in detailed tables in Note 4 to the consolidated financial statements, "Loans and Allowance for Loan Losses" included in this annual report.

At December 31, 2018, the Association held loans totaling $830,719 extended under the Rural America Bond Program approved by the FCA. The program is designed to meet the growing and changing needs of agricultural enterprises, agribusinesses and rural communities by providing investment in rural areas.

Purchase and Sales of Loans:

During 2018, 2017 and 2016, the Association was participating in loans with other lenders. As of December 31, 2018, 2017 and 2016, these participations totaled $103,240,529, $114,127,104 and $105,770,057, or 8.4 percent, 8.7 percent and 9.2 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the District of $15,873,365, $15,368,777 and $17,030,050, or 1.3 percent, 1.2 percent and 1.5 percent of loans, respectively. The Association has also sold to the Bank and other Farm Credit institutions participations of $219,680,076, $13,379,928 and $7,237,525 as of December 31, 2018, 2017 and 2016, 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, net.

The following table illustrates the Association's components and trends of high-risk assets serviced for the prior three years as of December 31:

	2018		2017		2016	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual	**$ 9,611,745**	**77.8%**	$ 6,915,545	85.2%	$ 1,058,264	30.0%
90 days past due and still accruing interest	**633,586**	**5.1%**	26,980	0.3%	533	0.0%
Formally restructured	**2,113,522**	**17.1%**	1,149,794	14.2%	2,381,457	67.5%
Other property owned, net	**-**	**0.0%**	25,786	0.3%	89,887	2.5%
Total	**$ 12,358,853**	**100.0%**	$ 8,118,105	100.0%	$ 3,530,141	100.0%

At December 31, 2018, 2017 and 2016, loans that were considered impaired were $12,358,853, $8,092,319 and $3,440,254, representing 1.0 percent, 0.6 percent and 0.3 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net. At December 31, 2018, the Association held no property classified as other property owned.

Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, the Association is not affected by any seasonal characteristics. The factors affecting the operations of the Association are the same factors that would affect any agricultural real estate lender. To help mitigate and diversify credit risk, the Association has employed practices including securitization of loans, obtaining credit guarantees and engaging in loan participations.

Allowance for Loan Losses:

The following table provides relevant information regarding the allowance for loan losses as of, or for the year ended, December 31:

	2018	2017	2016
Allowance for loan losses	**$ 2,996,303**	$ 3,526,196	$ 3,685,654
(Reversal of) provision for loan losses	**(1,024,937)**	751,890	602,739
Loans charged off	**(23,800)**	(1,097,229)	(323,198)
Recoveries	**517,714**	217,006	392,639
Allowance for loan losses to total loans	**0.2%**	0.3%	0.3%
Allowance for loan losses to nonaccrual loans	**31.2%**	51.0%	348.3%
Allowance for loan losses to impaired loans	**24.2%**	43.6%	107.1%
Net charge-offs to average loans	**0.0%**	0.1%	0.0%

The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management may consider other qualitative factors in determining and supporting the level of allowance for loan losses including but not limited to: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects, borrower repayment capacity, depth of lender staff, and/or past trends, and weather-related influences.

Based upon ongoing risk assessment and the allowance for loan losses procedures outlined above, the allowance for loan losses of $2,996,303, $3,526,196 and $3,685,654 at December 31, 2018, 2017 and 2016, respectively, is considered adequate by management to compensate for inherent losses in the loan portfolio at such dates. Based on analysis performed by the Association, it concluded the entire balance of nonaccrual loans is well securitized by either a prioritized security interest in real estate, own equipment or livestock with appraised values in excess of the principal loan balances less selling expenses, or an agency guarantee.

Results of Operations:

The Association's net income for the year ended December 31, 2018, was $30,755,646 as compared to $24,828,541 for the year ended December 31, 2017, reflecting an increase of $5,927,105, or 23.9 percent. The Association's net income for the year ended December 31, 2016 was $20,357,311. Net income increased $4,471,230, or 22.0 percent, in 2017 versus 2016.

Net interest income for 2018, 2017 and 2016 was $36,389,777, $36,657,572 and $32,176,597, respectively, reflecting a decrease of $267,795, or 0.7 percent, for 2018 versus 2017 and an increase of $4,480,975, or 13.9 percent, for 2017 versus 2016. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2018		2017		2016	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 1,283,785,917**	**$ 66,833,677**	$ 1,263,157,782	$ 61,693,450	$ 1,091,722,263	$ 50,861,090
Investments	**3,283,259**	**190,630**	4,034,273	206,411	4,780,783	241,871
Total interest-earning assets	**1,287,069,176**	**67,024,307**	1,267,192,055	61,899,861	1,096,503,046	51,102,961
Interest-bearing liabilities	**1,127,142,720**	**30,634,530**	1,113,274,504	25,242,289	949,462,765	18,926,364
Impact of capital	**$ 159,926,456**		$ 153,917,551		$ 147,040,281	
Net interest income		**$ 36,389,777**		$ 36,657,572		$ 32,176,597

	2018 Average Yield	2017 Average Yield	2016 Average Yield
Yield on loans	**5.21%**	4.88%	4.66%
Yield on investments	**5.81%**	5.12%	5.06%
Total yield on interest-earning assets	**5.21%**	4.88%	4.66%
Cost of interest-bearing liabilities	**2.72%**	2.27%	1.99%
Interest rate spread	**2.49%**	2.62%	2.67%

	2018 vs. 2017			2017 vs. 2016		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income - loans	**$ 1,007,499**	**$ 4,132,728**	**$ 5,140,227**	$ 7,986,838	$ 2,845,522	$ 10,832,360
Interest income - investments	**(38,425)**	**22,644**	**(15,781)**	(37,767)	2,307	(35,460)
Total interest income	**969,074**	**4,155,372**	**5,124,446**	7,949,071	2,847,829	10,796,900
Interest expense	**314,448**	**5,077,793**	**5,392,241**	3,265,423	3,050,502	6,315,925
Net interest income	**$ 654,626**	**$ (922,421)**	**$ (267,795)**	$ 4,683,648	$ (202,673)	$ 4,480,975

Interest income for 2018 increased by $5,124,446, or 8.3 percent, compared to 2017, primarily due to increases in interest rates and a slight increase in interest-bearing assets. Interest expense for 2018 increased by $5,392,241, or 21.4 percent, compared to 2017 due to increases in funding rates and a slight increase in interest-bearing debt. The interest rate spread decreased by 13 basis points to 2.49 percent in 2018 from 2.62 percent in 2017, primarily because the Association has experienced strong market demand for quality credits, which has resulted in compressed interest rate spreads. The Association's interest rate spread decreased by 5 basis points to 2.62 percent in 2017 from 2.67 percent in 2016, primarily due to increased competition with lower competitive market rates.

Noninterest income for 2018 increased by $6,324,983, or 58.9 percent, compared to 2017, due primarily to increases in patronage income and financially related services income. Noninterest income for 2017 increased by $2,078,017, or 24.0 percent, compared to 2016, due primarily to increases in patronage income, loan fees, financially related services income and gains on the sale of premises and equipment.

Provisions for loan losses decreased by $1,776,827, or 236.3 percent, compared to 2017, resulting in a reversal of provisions for loan losses. The decrease was due primarily to credit upgrades and the recovery of previously charged-off loan principal.

Operating expenses consist primarily of salaries, employee benefits and purchased services. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others. The Association's noninterest expenses for 2018 increased $1,995,838, or 9.4 percent, compared to 2017, due primarily to increased salaries and benefits. Noninterest expenses for 2017 increased $1,433,254, or 7.2 percent, compared to 2016, due primarily to increased salaries and benefits, travel, public and member relations and other noninterest expenses. Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in the capitalization of $2,073,318, $2,151,447 and $1,882,458 for 2018, 2017 and 2016, respectively, in origination costs, which will be amortized over the life of the loans as an adjustment to yield in net interest income.

For the year ended December 31, 2018, the Association's return on average assets was 2.3 percent, as compared to 1.9 percent and 1.8 percent for the years ended December 31, 2017 and 2016, respectively. For the year ended December 31, 2018, the Association's return on average members' equity was 15.7 percent, as compared to 13.6 percent and 11.8 percent for the years ended December 31, 2017 and 2016, respectively.

Because the Association depends on the Bank for funding, any significant positive or negative factors affecting the operations of the Bank may have an effect on the operations of the Association.

Liquidity and Funding Sources:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process.

The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $1,059,336,455, $1,156,165,343 and $1,002,450,271 as of December 31, 2018, 2017 and 2016, respectively, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 2.72 percent, 2.27 percent and 1.96 percent at December 31, 2018, 2017 and 2016, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a general financing agreement. The decrease in note payable to the Bank and related accrued interest payable since December 31, 2017, is due to decreased debt on match-funded loan assets. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $170,620,117, $164,284,423 and $152,120,596 at December 31, 2018, 2017 and 2016, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2018, was $1,233,111,978 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2020, 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 during 2019. As borrower payments are received, they are applied to the Association's note payable to the Bank.

The Association will continue to fund its operations through direct borrowings from the Bank, capital surplus from prior years and borrower stock. It is management's opinion that funds available to the Association are sufficient to fund its operations for the coming year.

Capital Resources:

The Association's capital position remains strong, with total members' equity of $195,854,739, $181,300,035 and $170,756,278 at December 31, 2018, 2017 and 2016, respectively.

In the fourth quarter of 2016, the Association's balance of non-restricted, nonqualified allocated surplus was transferred from "Unallocated retained earnings" to "Allocated retained earnings" under the Members' Equity section of the Consolidated Balance Sheet based on the decision to consider the nonqualified allocated surplus eligible for future distribution, although no formal distribution schedule exists and any future distribution of this nonqualified allocated surplus is solely restricted to the discretion of the Association's board of directors. The transfer resulted in an increase of $36,036,879 in "Allocated retained earnings" and a decrease by the same amount in "Unallocated retained earnings" as of December 31, 2016.

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. Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The permanent capital ratio measures available at-risk capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the institution's financial capacity to absorb potential losses beyond that provided in the allowance for loss accounts. The Association's permanent capital ratio at December 31, 2018, 2017 and 2016 was 14.9 percent, 13.2 percent and 14.9 percent, respectively.

Under the new regulations, the Association is required to maintain a minimum common equity tier 1 (CET1), tier 1 capital and total capital ratios of 4.5 percent, 6.0 percent and 8.0 percent, along with a capital conservation buffer of 2.5 percent applicable to each ratio, respectively. The 2.5 percent capital conservation buffer will be phased in over a three-year period ending on December 31, 2019. The Association's common equity tier 1 ratio at December 31, 2018 and 2017 was 14.8 percent and 13.2 percent, respectively. The tier 1 capital ratio at December 31, 2018 and 2017 was 14.8 percent and 13.2 percent, respectively. The total capital ratio was 15.1 percent and 13.5 percent at December 31, 2018 and 2017, respectively. Under the new regulations, the Association is required to maintain a minimum tier 1 leverage ratio of 4.0 percent, along with a leverage buffer of 1.0 percent, and a minimum unallocated retained earnings equivalents (UREE) leverage ratio of 1.5 percent. The Association's tier 1 leverage ratio at December 31, 2018 and 2017 was 14.6 percent and 12.7 percent, respectively. The UREE leverage ratio was 10.6 percent and 9.2 percent at December 31, 2018 and 2017, respectively.

The CET1 capital ratio is an indicator of the institution's highest quality of capital and consists of unallocated retained earnings, qualifying common cooperative equities (CCEs) that meet the required holding periods, and paid-in capital. The tier 1 capital ratio is a measure of the institution's quality of capital and financial strength. The total capital ratio is supplementary to the tier 1 capital ratio, the components of which include qualifying CCEs subject to certain holding periods, third-party capital subject to certain holding periods and limitations, and allowance and reserve for credit losses subject to certain limitations. The tier 1 leverage ratio is used to measure the amount of leverage an institution has incurred against its capital base, of which at least 1.5 percent must be unallocated retained earnings (URE) and URE equivalents. This is the UREE leverage ratio.

Prior to January 1, 2017, the core surplus ratio measured available core surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio was an indicator of the quality of capital that exists to maintain stable earnings and financial strength. The Association's core surplus ratio at December 31, 2016 was 14.2 percent, which was in compliance with the FCA's minimum ratio requirement of 3.5 percent. The total surplus ratio measured available surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio was an indicator of the reserves existing to protect borrowers' investments in the Association. The Association's total surplus ratio at December 31, 2016 was 14.6 percent, which was in compliance with the FCA's minimum ratio requirement of 7.0 percent.

In 2018, 2017 and 2016, the Association paid patronage distributions of $14,654,774, $12,989,434 and $11,533,992, respectively. In December 2018, the board of directors approved an estimated cash patronage distribution of $11,500,000 to be paid in April 2019. See Note 10 to the consolidated financial statements, "Members' Equity," included in this annual report, for further information.

Significant Recent Accounting Pronouncements:

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 did not impact the Association's financial condition or its results of operations, but did impact the fair value measurements disclosures. The Association early adopted the removal and modified disclosures during the fourth quarter of 2018.

In February 2018, the Financial Accounting Standards Board (FASB) issued guidance entitled "Income Statement — Reporting Comprehensive Income — Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." This guidance allows for the reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the recently issued tax legislation, Tax Cuts and Jobs Act (TCJA) that lowered the federal corporate tax rate from 35 percent to 21 percent. The amount of the reclassification shall include the effect of the change in the tax rate on gross deferred tax amounts and related valuation allowances at the date of enactment of the TCJA related to items remaining in accumulated other comprehensive income. The guidance becomes effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this guidance will have no impact on the Association's financial condition and its results of operations.

In August 2017, the FASB issued guidance entitled “Targeted Improvements to Accounting for Hedging Activities.” The guidance better aligns an entity’s risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments in this guidance require an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. This guidance also addresses the timing of effectiveness testing, qualitative and quantitative effectiveness testing and components that can be excluded from effectiveness testing. This guidance becomes effective for interim and annual periods beginning after December 15, 2018. The Association’s financial condition and its results of operations will not be affected by the adoption of this guidance.

In March 2017, the FASB issued guidance entitled “Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost.” The guidance requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not materially impact the Association’s financial condition but did change the classification of certain items in the results of operations.

In August 2016, the FASB issued guidance entitled “Classification of Certain Cash Receipts and Cash Payments.” The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not materially impact the Association’s financial condition or its results of operations but did change the classification of certain items in the statement of cash flows.

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. In July 2018, the FASB issued an update entitled “Leases – Targeted Improvements,” which provides entities with 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. An entity that elects this additional transition method must provide the required disclosures of the now current standard for all prior periods presented. The guidance and related amendments in this updated disclosure become effective for interim and annual periods beginning after December 15, 2018, with early application permitted. At December 31, 2018, the Association had $222,662 in future lease rights and obligations that met the standards of this guidance. The Association is evaluating the final adoption of this guidance. The adoption of this guidance will not impact the financial condition of the Association but will add the classification of lease assets and lease liabilities to the consolidated balance sheet.

In January 2016, the FASB issued guidance entitled “Recognition and Measurement of Financial Assets and Liabilities.” The guidance affects, among other things, the presentation and disclosure requirements for financial instruments. For public entities, the guidance eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments carried at amortized cost. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not impact the Association’s financial condition or its results of operations.

In May 2014, the FASB issued guidance entitled, “Revenue from Contracts with Customers.” 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. The guidance sets forth the requirement for new and enhanced disclosures. The Association adopted the new standard effective January 1, 2018, using the modified retrospective approach. As 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 the financial position, results of operations, equity or cash flows.

Regulatory Matters:

At December 31, 2018, the Association was not under written agreements with the Farm Credit Administration.

On July 28, 2016, the Farm Credit Administration published a final regulation to modify the regulatory capital requirements for System banks and associations. The stated objectives of the proposed rule were as follows:

- To modernize capital requirements while ensuring that the institutions continue to hold sufficient regulatory capital to fulfill their mission as a government-sponsored enterprise,
- To ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System,
- To make System regulatory capital requirements more transparent and
- To meet the requirements of section 939A of the Dodd-Frank Act.

The final rule replaces existing core surplus and total surplus requirements with common equity tier 1, tier 1 and total capital risk-based capital ratio requirements. The final rule also replaces the existing net collateral ratio with a tier 1 leverage ratio and is applicable to all banks and associations. The permanent capital ratio will continue to remain in effect with the final rule.

The new capital requirements became effective January 1, 2017, with a three-year phase-in of the capital conservation buffer applied to the risk-adjusted capital ratios. The Bank is in compliance with the required minimum capital standards and met the conservation buffers as of December 31, 2018.

On June 12, 2014, the Farm Credit Administration approved a proposed rule to revise the requirements governing the eligibility of investments for System banks and associations. The stated objectives of the proposed rule are as follows:

- To strengthen the safety and soundness of System banks and associations,
- To ensure that System banks hold sufficient liquidity to continue operations and pay maturing obligations in the event of market disruption,
- To enhance the ability of the System banks to supply credit to agricultural and aquatic producers,
- To comply with the requirements of section 939A of the Dodd-Frank Act,
- To modernize the investment eligibility criteria for System banks, and
- To revise the investment regulation for System associations to improve their investment management practices so they are more resilient to risk.

The public comment period ended on October 23, 2014. The final rule was released in 2018.

Relationship With the Bank:

The Association's statutory obligation to borrow only from the Bank is discussed in Note 9 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank's ability to access capital of the Association is discussed in Note 2 to the consolidated financial statements, "Summary of Significant Accounting Policies," included in this annual report, within the section "Capital Stock Investment in the Bank."

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis and in Note 9 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank provides computer systems to support the critical operations of all District associations. In addition, each association has operating systems and facility-based systems that are not supported by the Bank. As disclosed in Note 13 to the consolidated financial statements, “Related Party Transactions,” included in this annual report, the Bank provides many services that the Association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, the Bank bills District expenses to the associations, such as the Farm Credit System Insurance Corporation insurance premiums.

Summary:

Over the past 84 years, regardless of the state of the agricultural economy, your Association’s board of directors and management, as well as the board of directors and management of the Bank, have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this Association.

Report of Independent Auditors

To the Board of Directors of Texas Farm Credit Services, ACA

We have audited the accompanying consolidated financial statements of Texas Farm Credit Services, ACA and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018, December 31, 2017 and December 31, 2016, and the related consolidated statements of comprehensive income, changes in members' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Texas Farm Credit Services, ACA and its subsidiaries as of December 31, 2018, December 31, 2017 and December 31, 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 13, 2019

PricewaterhouseCoopers LLP, 835 West 6th Street, Suite 1600 Austin, TX 787013
T: (512) 477 1300, F: (512) 477 8681, www.pwc.com/us

TEXAS FARM CREDIT SERVICES

CONSOLIDATED BALANCE SHEET

	December 31, 2018	2017	2016
Assets			
Cash	**$ 5,081,707**	$ 4,851,927	$ 6,024,074
Investments	**3,060,007**	3,610,101	4,498,160
Loans	**1,227,196,988**	1,316,909,540	1,150,514,556
Less: allowance for loan losses	**2,996,303**	3,526,196	3,685,654
Net loans	**1,224,200,685**	1,313,383,344	1,146,828,902
Accrued interest receivable	**10,012,908**	9,505,127	8,074,082
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**23,172,405**	22,561,865	19,497,535
Other	**55,654**	7,969	16,696
Deferred taxes, net	**562,889**	846,682	1,340,257
Other property owned, net	**-**	25,786	89,887
Premises and equipment	**12,494,409**	11,792,126	10,549,607
Other assets	**3,262,652**	2,549,016	2,227,360
Total assets	**$ 1,281,903,316**	$ 1,369,133,943	$ 1,199,146,560
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 1,059,336,455**	$ 1,156,165,343	$ 1,002,450,271
Advance conditional payments	**569,632**	588,149	714,717
Accrued interest payable	**2,654,747**	2,290,533	1,690,380
Drafts outstanding	**37,790**	6,880,257	3,566,766
Patronage distributions payable	**11,500,000**	9,277,000	8,100,000
Other liabilities	**11,949,953**	12,632,626	11,868,148
Total liabilities	**1,086,048,577**	1,187,833,908	1,028,390,282
Members' Equity			
Capital stock and participation certificates	**4,100,095**	4,013,280	3,728,785
Additional paid-in capital	**47,596,495**	47,596,495	47,596,495
Allocated retained earnings	**54,986,492**	46,040,084	44,798,656
Unallocated retained earnings	**89,370,242**	84,438,778	75,018,099
Accumulated other comprehensive income (loss)	**(198,585)**	(788,602)	(385,757)
Total members' equity	**195,854,739**	181,300,035	170,756,278
Total liabilities and members' equity	**$ 1,281,903,316**	$ 1,369,133,943	$ 1,199,146,560

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

TEXAS FARM CREDIT SERVICES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2018	2017	2016
Interest Income			
Loans	**$ 66,833,677**	$ 61,693,450	$ 50,861,090
Investments	**190,630**	206,411	241,871
Total interest income	**67,024,307**	61,899,861	51,102,961
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**30,462,425**	24,983,148	18,822,383
Advance conditional payments	**7,472**	5,371	2,860
Other	**164,633**	253,770	101,121
Total interest expense	**30,634,530**	25,242,289	18,926,364
Net interest income	**36,389,777**	36,657,572	32,176,597
(Reversal of) provision for loan losses	**(1,024,937)**	751,890	602,739
Net interest income after provision for losses	**37,414,714**	35,905,682	31,573,858
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**8,462,542**	5,529,559	5,145,062
Loan fees	**1,620,903**	1,224,340	893,686
Financially related services income	**5,274,970**	2,909,199	2,303,036
Gain on other property owned, net	**415,205**	47,255	13,736
Gain on sale of premises and equipment, net	**361,201**	873,568	118,410
Other noninterest income	**933,729**	159,646	191,620
Total noninterest income	**17,068,550**	10,743,567	8,665,550
Noninterest Expenses			
Salaries and employee benefits	**15,426,788**	13,515,195	12,813,238
Directors' expense	**414,577**	370,052	309,031
Purchased services	**737,536**	791,450	791,178
Travel	**1,359,129**	1,220,876	1,111,919
Occupancy and equipment	**1,441,652**	1,275,463	1,232,952
Communications	**379,717**	368,547	335,742
Advertising	**286,064**	166,713	169,253
Public and member relations	**845,256**	775,621	640,579
Supervisory and exam expense	**401,997**	362,118	311,602
Insurance Fund premiums	**924,599**	1,463,218	1,379,173
Other noninterest expense	**1,078,711**	990,935	772,267
Total noninterest expenses	**23,296,026**	21,300,188	19,866,934
Income before income taxes	**31,187,238**	25,349,061	20,372,474
Provision for income taxes	**431,592**	520,520	15,163
NET INCOME	**30,755,646**	24,828,541	20,357,311
Other comprehensive income:			
Other comprehensive income, net of tax	**590,017**	(402,845)	100,125
COMPREHENSIVE INCOME	**$ 31,345,663**	$ 24,425,696	$ 20,457,436

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

TEXAS FARM CREDIT SERVICES

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Additional Paid-in-Capital	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2015	$ 3,534,635	$ 47,596,495	$ 8,600,333	$ 103,721,603	$ (485,882)	$ 162,967,184
Comprehensive income	-	-	-	20,357,311	100,125	20,457,436
Capital stock/participation certificates and allocated retained earnings issued	416,470	-	-	-	-	416,470
Capital stock/participation certificates and allocated retained earnings retired	(222,320)	-	-	-	-	(222,320)
Transfer of nonqualified allocated surplus	-	-	36,036,879	(36,036,879)	-	-
Patronage dividends:						
Cash	-	-	(4,749,052)	(8,113,440)	-	(12,862,492)
Capital stock/participation certificates and allocated retained earnings	-	-	4,910,496	(4,910,496)	-	-
Balance at December 31, 2016	3,728,785	47,596,495	44,798,656	75,018,099	(385,757)	170,756,278
Comprehensive income	-	-	-	24,828,541	(402,845)	24,425,696
Capital stock/participation certificates issued	497,705	-	-	-	-	497,705
Capital stock/participation certificates and allocated retained earnings retired	(213,210)	-	-	-	-	(213,210)
Patronage dividends:						
Cash	-	-	(4,879,175)	(9,287,259)	-	(14,166,434)
Capital stock/participation certificates and allocated retained earnings	-	-	6,120,603	(6,120,603)	-	-
Balance at December 31, 2017	4,013,280	47,596,495	46,040,084	84,438,778	(788,602)	181,300,035
Comprehensive income	-	-	-	30,755,646	590,017	31,345,663
Preferred stock issued						
Capital stock/participation certificates issued	405,265	-	-	-	-	405,265
Capital stock/participation certificates and allocated retained earnings retired	(318,450)	-	-	-	-	(318,450)
Patronage dividends:						
Cash	-	-	(5,238,499)	(11,500,000)	-	(16,738,499)
Capital stock/participation certificates and allocated retained earnings	-	-	14,184,907	(14,324,182)	-	(139,275)
Balance at December 31, 2018	**$ 4,100,095**	**$ 47,596,495**	**$ 54,986,492**	**$ 89,370,242**	**$ (198,585)**	**$ 195,854,739**

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

TEXAS FARM CREDIT SERVICES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2018	2017	2016
Cash flows from operating activities:			
Net income	**$ 30,755,646**	$ 24,828,541	$ 20,357,311
Adjustments to reconcile net income to net cash provided by operating activities:			
(Loan loss reversal) provision for loan losses	**(1,024,937)**	751,890	602,739
Gain on sale of other property owned, net	**(415,205)**	(47,255)	(13,736)
Depreciation and amortization	**816,750**	653,233	927,757
Accretion of net discounts on acquired loans	**(261,098)**	(213,752)	(68,975)
Gain on sale of premises and equipment, net	**(361,201)**	(873,568)	(118,410)
Increase in accrued interest receivable	**(507,781)**	(1,431,045)	(1,063,617)
(Increase) decrease in other receivables from the Farm Credit Bank of Texas	**(47,685)**	8,727	23,443
Decrease (increase) in deferred tax assets	**283,793**	493,575	(31,195)
Increase in other assets	**(713,636)**	(321,656)	(1,110,928)
Increase in accrued interest payable	**364,214**	600,153	251,308
(Decrease) increase in other liabilities	**(91,526)**	330,508	2,565,810
Net cash provided by operating activities	**28,797,334**	24,779,351	22,321,507
Cash flows from investing activities:			
Decrease (increase) in loans, net	**84,632,102**	(166,943,663)	(111,672,018)
Cash recoveries of loans previously charged off	**517,714**	217,006	392,639
Proceeds from purchase of investment in the Farm Credit Bank of Texas	**(610,540)**	(3,064,330)	(1,816,725)
Investment securities held-to-maturity:			
Proceeds from maturities, calls and prepayments	**553,813**	888,265	738,548
Purchases of premises and equipment	**(1,855,730)**	(3,365,008)	(2,250,213)
Proceeds from sales of premises and equipment	**630,184**	2,233,577	981,019
Proceeds from sales of other property owned	**5,985,434**	138,596	13,736
Net cash provided by (used in) investing activities	**89,852,977**	(169,895,557)	(113,613,014)

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

TEXAS FARM CREDIT SERVICES

CONSOLIDATED STATEMENT OF CASH FLOWS
(continued from page 20)

	Year Ended December 31,		
	2018	2017	2016
Cash flows from financing activities:			
Net (repayment of) draws on note payable to the Farm Credit Bank of Texas	**(96,991,588)**	153,462,075	109,705,715
(Decrease) increase in drafts outstanding	**(6,842,467)**	3,313,491	(1,694,563)
Decrease in advance conditional payments	**(18,517)**	(126,568)	(206,636)
Issuance of capital stock and participation certificates	**405,265**	497,705	416,470
Retirement of capital stock and participation certificates	**(318,450)**	(213,210)	(222,320)
Patronage distributions paid	**(14,654,774)**	(12,989,434)	(11,533,992)
Net cash (used in) provided by financing activities	**(118,420,531)**	143,944,059	96,464,674
Net increase (decrease) in cash	**229,780**	(1,172,147)	5,173,167
Cash at the beginning of the year	**4,851,927**	6,024,074	850,907
Cash at the end of the year	**$ 5,081,707**	$ 4,851,927	$ 6,024,074
Supplemental schedule of noncash investing and financing activities:			
Loans transferred to other property owned	**$ 5,544,443**	$ 27,240	$ -
Loans charged off	**23,800**	1,097,229	323,198
Cash patronage distributions declared	**11,500,000**	9,277,000	8,100,000
Transfer of allowance for loan losses from (into) reserve for unfunded commitments	**1,130**	(31,125)	194,395
Supplemental cash information:			
Cash paid during the year for:			
Interest	**$ 30,433,904**	$ 24,687,653	$ 18,951,996

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

TEXAS FARM CREDIT SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION, MERGERS AND OPERATIONS:

A. Organization: Texas Farm Credit Services, including its wholly-owned subsidiaries, Texas Farm Credit Services, PCA and Texas Farm Credit Services, FLCA (collectively called "the Association"), is a member-owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in the counties of Anderson, Angelina, Aransas, Atascosa, Austin, Bandera, Bee, Bexar, Bowie, Brooks, Cameron, Camp, Cass, Chambers, Cherokee, Collin, Cook, Dallas, Delta, Denton, DeWitt, Dimmitt, Duval, Edwards, Fannin, Fayette, Franklin, Freestone, Frio, Goliad, Gonzales, Grayson, Gregg, Guadalupe, Hardin, Harrison, Henderson, Hidalgo, Hopkins, Houston, Hunt, Jasper, Jefferson, Jim Hogg, Jim Wells, Karnes, Kaufman, Kenedy, Kerr, Kinney, Kleberg, Lamar, LaSalle, Lavaca, Leon, Liberty, Limestone, Live Oak, Marion, Maverick, McMullen, Medina, Montgomery, Morris, Nacogdoches, Newton, Nueces, Orange, Panola, Polk, Rains, Real, Red River, Rockwall, Rusk, Sabine, San Augustine, San Jacinto, San Patricio, Shelby, Smith, Starr, Titus, Trinity, Tyler, Upshur, Uvalde, Val Verde, Van Zandt, Walker, Waller, Washington, Webb, Willacy, Wilson, Wood, Zapata, and Zavala, parts of Refugio, and the lower half of Lee in the State of Texas.

   The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). At December 31, 2018, the System consisted of three Farm Credit Banks (FCBs) and their affiliated associations, one Agricultural Credit Bank (ACB) and its affiliated associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation) and various service and other organizations.

   The Farm Credit Bank of Texas (Bank) and its related associations are collectively referred to as the "District." The Bank provides funding to all associations within the District and is responsible for supervising certain activities of the District associations. At December 31, 2018, the District consisted of the Bank, one FLCA and 13 ACA parent companies, which have two wholly-owned subsidiaries, an FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

   The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of System associations to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

   The Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations, (2) to ensure the retirement of protected borrower capital at par or stated value and (3) for other specified purposes. The Insurance Fund is also available for the discretionary uses by the FCSIC of providing assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the "secure base amount," which is defined in the Farm Credit Act as 2.0 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or other such percentage of the aggregate obligations as the Insurance Corporation in its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the FCSIC is required to reduce premiums as necessary to maintain the Insurance Fund at the 2 percent level. As required by the Farm Credit Act, as amended, the FCSIC may return excess funds above the secure base amount to System institutions.

   FCA regulations require borrower information to be held in strict confidence by Farm Credit institutions, their directors, officers and employees. Directors and employees of the Farm Credit institutions are prohibited, except under specified circumstances, from disclosing nonpublic personal information about members.

B. Operations: The Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services that can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related businesses. The Association makes and services short- and intermediate-term loans for agricultural production or operating purposes, and secured long-term real estate mortgage loans, with funding from the Bank.

The Association also serves as an intermediary in offering credit life insurance, multi-peril crop insurance and pasture, rangeland and forage insurance.

The Association's financial condition may be affected by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect stockholders' investments in the Association. Upon request, stockholders of the Association will be provided with the Farm Credit Bank of Texas Annual Report to Stockholders.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting and reporting policies of the Association conform to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results could differ from those estimates. Certain amounts in prior years' consolidated financial statements have been reclassified to conform to current financial statement presentation. The consolidated financial statements include the accounts of Texas Farm Credit Services, PCA and Texas Farm Credit Services, FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. Recently Issued or Adopted Accounting Pronouncements:

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. The Association early adopted the removal and modified disclosures during the fourth quarter of 2018.

In February 2018, the Financial Accounting Standards Board (FASB) issued guidance entitled "Income Statement — Reporting Comprehensive Income — Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." This guidance allows for the reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the recently issued tax legislation, Tax Cuts and Jobs Act (TCJA) that lowered the federal corporate tax rate from 35 percent to 21 percent. The amount of the reclassification shall include the effect of the change in the tax rate on gross deferred tax amounts and related valuation allowances at the date of enactment of the TCJA related to items remaining in accumulated other comprehensive income. The guidance becomes effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this guidance will have no impact on the Association's financial condition and its results of operations.

In August 2017, the FASB issued guidance entitled "Targeted Improvements to Accounting for Hedging Activities." The guidance better aligns an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments in this guidance require an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. This guidance also addresses the timing of effectiveness testing, qualitative and quantitative effectiveness testing and components that can be excluded from effectiveness testing. This guidance becomes effective for interim and annual periods beginning after December 15, 2018. The Association's financial condition and its results of operations will not be affected by the adoption of this guidance.

In March 2017, the FASB issued guidance entitled "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost." The guidance requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. This guidance became effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not materially impact the Association's financial condition but did change the classification of certain items in the results of operations.

In August 2016, the FASB issued guidance entitled "Classification of Certain Cash Receipts and Cash Payments." The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing. This guidance became effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not materially impact the Association's financial condition or its results of operations but did change the classification of certain items in the statement of cash flows.

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 the Association's financial condition and its 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. In July 2018, the FASB issued an update entitled "Leases – Targeted Improvements," which provides entities with 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. An entity that elects this additional transition method must provide the required disclosures of the now current standard for all prior periods presented. The guidance and related amendments in this updated disclosure become effective for interim and annual periods beginning after December 15, 2018, with early application permitted. At December 31, 2018, the Association had $222,662 in future lease rights and obligations that met the standards of this guidance. The Association is evaluating the final adoption of this guidance. The adoption of this guidance will not impact the financial condition of the Association but will add the classification of lease assets and lease liabilities to the consolidated balance sheet.

In January 2016, the FASB issued guidance entitled "Recognition and Measurement of Financial Assets and Liabilities." The guidance affects, among other things, the presentation and disclosure requirements for financial instruments. For public entities, the guidance eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments carried at amortized cost. This guidance became effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not impact the Association's financial condition or its results of operations but did impact the Association's fair value disclosures.

In May 2014, the FASB issued guidance entitled, "Revenue from Contracts with Customers." 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. The guidance sets forth the requirement for new and enhanced disclosures. The Association adopted the new standard effective January 1, 2018, using the modified retrospective approach. As 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 the financial position, results of operations, equity or cash flows.

B. Cash: Cash, as included in the statement of cash flows, represents cash on hand and on deposit at local banks.

C. Investments: The Association's investments include mortgage-backed securities issued by Federal Agricultural Mortgage Corporation (Farmer Mac) for which the Association has the intent and ability to hold to maturity and which are consequently classified as held to maturity. Held-to-maturity investments are carried at cost, adjusted for the amortization of premiums and accretion of discounts. Changes in the fair value of these investments are not recorded unless the investment is deemed to be other-than-temporarily impaired. Impairment is considered to be other than temporary if the present value of cash flows expected to be collected from the debt security is less than the amortized cost basis of the security (any such shortfall is referred to as a "credit loss"). If an entity intends to sell an impaired debt security or is more likely than not to be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the impairment is other than temporary and should be recognized currently in earnings in an amount equal to the entire difference between fair value and amortized cost. If a credit loss exists, but an entity does not intend to sell the impaired debt security and is not more likely than not to be required to sell before recovery, the impairment is other than temporary and should be separated into (i) the estimated amount relating to credit loss and (ii) the amount relating to all other factors. Only the estimated credit loss amount is recognized currently in earnings, with the remainder of the loss amount recognized in other comprehensive income.

Gains and losses on the sales of investments available for sale are determined using the specific identification method. The Association did not hold any investments available for sale during the years 2018, 2017 and 2016. Premiums and discounts are amortized or accreted into interest income over the term of the respective issues. The Association does not hold investments for trading purposes.

The Association may also hold additional investments in accordance with mission-related investment and other investment programs, approved by the Farm Credit Administration. These programs allow the Association to make investments that further the System's mission to serve rural America. Mission-related investments for which the Association has the intent and ability to hold to maturity are classified as held to maturity and carried at cost, adjusted for the amortization of premiums and accretion of discounts.

D. Loans and Allowance for Loan Losses: Long-term real estate mortgage loans generally have original maturities ranging from five to 30 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and net deferred loan fees or costs. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. Authoritative accounting guidance requires loan origination fees and direct loan origination costs, if material, to be capitalized and the net fee or cost to be amortized over the life of the related loan as an adjustment to yield.

Loans acquired in a business combination are initially recognized at fair value, and therefore, no "carryover" of the allowance for loan losses is permitted. Those loans with evidence of credit quality deterioration at purchase are required to follow the authoritative accounting guidance on "Accounting for Certain Loans or Debt Securities Acquired in a Transfer." This guidance addresses accounting for differences between contractual cash flows and cash flows expected to be collected from the initial investment in loans if those differences are attributable, at least in part, to credit quality. The initial fair values for these types of loans are determined by discounting both principal and interest cash flows expected to be collected using an observable discount rate for similar instruments with adjustments that management believes a market participant would consider in determining fair value. Subsequent decreases to expected principal cash flows will result in a charge to the provision for loan losses and a corresponding increase to allowance for loan losses. Subsequent increases in expected principal cash flows will result in recovery of any previously recorded allowance for loan losses, to the extent applicable, and a reclassification from nonaccretable difference to accretable yield for any remaining increase. For variable rate loans, expected future cash flows were initially based on the rate in effect at acquisition; expected future cash flows are recalculated as rates change over the lives of the loans.

Impaired loans are loans for which it is probable that not all principal and interest will be collected according to the contractual terms of the loan and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. Impaired loans include nonaccrual loans, restructured loans, and loans past due 90 days or more and still accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest and penalty interest incurred as a result of past-due status, is collected or otherwise discharged in full.

Loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection) or circumstances indicate that collection of principal and/or interest is in doubt. Additionally, all loans over 180 days past due are placed in nonaccrual status. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is either reversed (if accrued in the current year) or charged against the allowance for loan losses (if accrued in prior years). Loans are charged off at the time they are determined to be uncollectible.

A restructured loan constitutes a troubled debt restructuring (TDR) if for economic or legal reasons related to the debtor's financial difficulties the Association grants a concession to the debtor that it would not otherwise consider. A concession is generally granted in order to minimize the Association's economic loss and avoid foreclosure. Concessions vary by program and are borrower-specific and may include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. A loan restructured in a troubled debt restructuring is an impaired loan.

Payments received on nonaccrual loans are generally applied to the recorded investment in the loan asset. If collection of the recorded investment in the loan is fully expected and the loan does not have a remaining unrecovered prior charge-off associated with it, the interest portion of payments is recognized as current interest income. Nonaccrual loans may be returned to accrual status when principal and interest are current, the borrower has demonstrated payment performance, there are no unrecovered prior charge-offs and collection of future payments is no longer in doubt. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer is first recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

The Bank and related associations use a two-dimensional loan rating model based on an internally generated combined system risk-rating guidance that incorporates a 14-point risk-rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan, assuming default has occurred or is expected to occur within the next 12 months.

Each of the probability of default categories carries a distinct percentage of default probability. The 14-point risk-rating scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows more rapidly as a loan moves from a "9" to other assets especially mentioned (OAEM) and grows significantly as a loan moves to a substandard (viable) level. A substandard (nonviable) rating indicates that the probability of default is almost certain.

The credit risk-rating methodology is a key component of the Association's allowance for loan losses evaluation. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management considers the following factors in determining and supporting the level of allowance for loan losses: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences. The allowance for loan losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying security that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity will cause these various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the Association's expectations and predictions of those circumstances.

The allowance for loan losses includes components for loans individually evaluated for impairment and loans collectively evaluated for impairment. Generally, for loans individually evaluated the allowance for loan losses represents the difference between the recorded investment in the loan and the present value of the cash flows expected to be collected discounted at the loan's effective interest rate, or at the fair value of the collateral, less estimated costs to sell, if the loan is collateral-dependent. For those loans collectively evaluated for impairment, the allowance for loan losses is determined using the risk-rating model.

Transfers of an entire financial asset, group of entire financial assets, or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Association, (2) the transferee obtains the right to pledge or exchange the transferred assets, and (3) the Association does not maintain effective control over the transferred assets.

The Association purchases loan and lease participations from other System and non-System entities to generate additional earnings and diversify risk related to existing commodities financed and the geographic area served. Additionally, the Association sells a portion of certain large loans to other System and non-System entities to reduce risk and comply with established lending limits. Loans are sold and the sale terms comply with requirements under ASC 860 "Transfers and Servicing."

E. Capital Stock Investment in the Farm Credit Bank of Texas: The Association's investment in the Bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the Association's proportional utilization of the Bank compared to other District associations. The Bank requires a minimum stock investment of 2 percent of the Association's average borrowing from the Bank. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheet.

If needed to meet regulatory capital adequacy requirements, the board of directors of the Bank may increase the percentage of stock held by an Association from 2 percent of the average outstanding balance of borrowings from the Bank to a maximum of 5 percent of the average outstanding balance of borrowings from the Bank.

F. Other Property Owned, Net: Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, and is recorded at fair value less estimated selling costs upon acquisition and is included in other assets in the Consolidated Balance Sheet. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. On at least an annual basis, revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in net gains (losses) on other property owned in the statements of comprehensive income.

G. Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized.

H. Advance Conditional Payments: The Association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying consolidated balance sheet. Advance conditional payments are not insured. Interest is generally paid by the Association on such accounts at rates established by the board of directors.

I. Employee Benefit Plans: Employees of the Association participate in either the District defined benefit retirement plan (DB plan) or the defined contribution plan (DC plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. Also, the Association sponsors a nonqualified defined contribution 401(k) plan. The DB plan is closed to new participants. Participants generally include employees hired prior to January 1, 1996. The DB plan is noncontributory and provides benefits based on salary and years of service. The "projected unit credit" actuarial method is used for financial reporting and funding purposes for the DB plan.

Participants in the DC plan generally include employees who elected to transfer from the DB plan prior to January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC plan direct the placement of their employers' contributions, 5.0 percent of eligible pay for the year ended December 31, 2018, made on their behalf into various investment alternatives.

The structure of the District's DB plan is characterized as multi-employer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The Association recognized pension costs for the DC plan of $641,432, $566,078 and $496,768 for the years ended December 31, 2018, 2017 and 2016 respectively. For the DB plan, the Association recognized pension costs of $485,749, $493,153 and $451,578 for the years ended December 31, 2018, 2017 and 2016, respectively.

The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100 percent of employee contributions up to 3.0 percent of eligible earnings and to match 50 percent of employee contributions for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were $458,924, $408,059 and $370,640 for the years ended December 31, 2018, 2017 and 2016, respectively.

In addition to the DB plan, the DC plan and the Farm Credit Benefits Alliance 401(k) plans above, the Association sponsors a defined contribution supplemental retirement plan. This plan is a nonqualified 401(k) plan; therefore, the associated liabilities are included in the Association's consolidated balance sheet in other liabilities. The expenses of the nonqualified plan included in the Association's employee benefit costs were $89,070, $73,945 and $85,160 for the years ended December 31, 2018, 2017 and 2016, respectively.

In addition to pension benefits, the Association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities on the consolidated balance sheet.

J. Income Taxes: The ACA holding company conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are operated through the wholly-owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through the wholly-owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income tax. The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. Deferred taxes are provided on the Association's taxable income on the basis of a proportionate share of the tax effect of temporary differences not allocated in patronage form. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings. In 2015, the Association eliminated its valuation allowance on its net deferred tax assets because management estimates a full utilization of these assets.

Deferred income taxes have not been provided by the Association on patronage stock distributions from the Bank prior to January 1, 1993, the adoption date of the FASB guidance on income taxes. Management's intent is (1) to permanently invest these and other undistributed earnings in the Bank, thereby indefinitely postponing their conversion to cash, or (2) to pass through any distribution related to pre-1993 earnings to Association borrowers through qualified patronage allocations.

The Association has not provided deferred income taxes on amounts allocated to the Association which relate to the Bank's post-1992 earnings to the extent that such earnings will be passed through to Association borrowers through qualified patronage allocations. Additionally, deferred income taxes have not been provided on the Bank's post-1992 unallocated earnings. The Bank currently has no plans to distribute unallocated Bank earnings and does not contemplate circumstances that, if distributions were made, would result in taxes being paid at the Association level.

New U.S. tax laws resulting from legislation commonly known as the Tax Cuts and Jobs Act of 2017 (TCJA) were enacted in late 2017. Among other things, the TCJA changed the federal corporate tax rate from 35 percent to 21 percent. FLCA subsidiaries are exempt from federal and state income tax; however, the change in the federal corporate tax rate had a financial statement impact for year-end 2017 on the Association's ACA and PCA subsidiary. The revaluation of the Association's deferred tax assets resulted in a tax expense to the 2017 income statement.

K. Patronage Refunds From the Farm Credit Bank of Texas: The Association records patronage refunds from the Bank on an accrual basis.

L. Fair Value Measurement: The FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to deferred compensation and the supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate debt securities, and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities, are reported in Level 2.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities are considered Level 3. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

The fair value disclosures are presented in Note 14, "Fair Value Measurements."

M. Off-balance-sheet credit exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

NOTE 3 — INVESTMENTS:

Held-to-Maturity Mission-Related and Other Investments:

As a result of the merger on January 1, 2014, the Association acquired Farmer Mac agricultural mortgage-backed securities held by AgriLand, FCS. These securities were agricultural mortgage loans previously covered under a Long-Term Standby Commitment to Purchase agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac) that were subsequently securitized. No gain or loss was recognized in the financial statements upon completion of the securitization. Terms of the agreement call for a guarantee fee of 20-50 basis points to be paid to Farmer Mac, and for the Association to receive a 30-basis-point fee for servicing the underlying loans.

The following is a summary of Farmer Mac agricultural mortgage-backed securities:

	December 31, 2018				
	Amortized Cost	**Gross Unrealized Losses**	**Fair Value**	**Weighted Average Yield**	**Weighted Average Life**
Agricultural mortgage-backed securities	**$ 3,060,007**	**$ (49,014)**	**$ 3,010,993**	**5.79%**	**3.86 Years**

	December 31, 2017				
	Amortized Cost	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life
Agricultural mortgage-backed securities	$ 3,610,101	$ (68,174)	$ 3,541,927	5.09%	4.67 Years

	December 31, 2016				
	Amortized Cost	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life
Agricultural mortgage-backed securities	$ 4,498,160	$ (5,903)	$ 4,492,257	4.77%	4.20 Years

NOTE 4 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans as of December 31 follows:

	2018		2017		2016	
Loan Type	**Amount**	**%**	Amount	%	Amount	%
Real estate mortgage	**$ 915,254,428**	**74.6%**	$ 1,007,745,314	76.5%	$ 869,354,961	75.6%
Production and intermediate term	**222,682,563**	**18.1%**	208,283,040	15.8%	188,614,250	16.4%
Agribusiness:	**-**					
Processing and marketing	**62,157,061**	**5.1%**	69,328,935	5.3%	57,262,973	5.0%
Loans to cooperatives	**9,160,494**	**0.7%**	6,725,217	0.5%	7,114,554	0.6%
Farm-related business	**3,693,306**	**0.3%**	5,459,052	0.4%	10,662,310	0.9%
Communication	**5,930,022**	**0.5%**	10,118,637	0.8%	7,122,592	0.6%
Energy	**3,293,715**	**0.3%**	3,814,546	0.3%	4,332,632	0.4%
Rural residential real estate	**2,755,973**	**0.2%**	3,090,413	0.2%	2,468,028	0.2%
Mission-related investments	**2,269,426**	**0.2%**	2,344,386	0.2%	3,582,256	0.3%
Total	**$ 1,227,196,988**	**100.0%**	$ 1,316,909,540	100.0%	$ 1,150,514,556	100.0%

At December 31, 2018, the Association held loans totaling $830,719 extended under the Rural America Bond Program approved by the FCA. The program is designed to meet the growing and changing needs of agricultural enterprises, agribusinesses and rural communities by providing investment in rural areas.

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 regulations. The following table presents information regarding participations purchased and sold as of December 31, 2018:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 10,513,584	$ 201,578,913	$ 527,481	$ -	$ 11,041,065	$ 201,578,913
Production and intermediate term	19,009,379	2,120,371	-	-	19,009,379	2,120,371
Agribusiness	63,966,348	15,980,792	-	-	63,966,348	15,980,792
Communication	5,930,022	-	-	-	5,930,022	-
Energy	3,293,715	-	-	-	3,293,715	-
Total	$ 102,713,048	$ 219,680,076	$ 527,481	$ -	$ 103,240,529	$ 219,680,076

Geographic Distribution of Loan Volume by County:

County	**2018**	2017	2016
Hidalgo	**7.1%**	7.2%	8.0%
Nueces	**3.4%**	2.8%	3.1%
Bandera	**3.3%**	4.0%	2.4%
Fayette	**3.1%**	2.5%	1.8%
Zavala	**2.9%**	1.8%	0.7%
Washington	**2.5%**	2.8%	2.7%
Willacy	**2.3%**	2.2%	2.0%
Cameron	**2.3%**	2.8%	2.5%
San Patricio	**2.1%**	1.8%	2.3%
Hopkins	**2.1%**	2.4%	2.5%
Austin	**2.0%**	1.6%	1.7%
Other	**66.9%**	68.1%	70.3%
	100.0%	100.0%	100.0%

The Association's concentration of credit risk in various agricultural commodities is shown in the following table. While the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's lending activities is collateralized, and the Association's exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for loan losses.

	2018		2017		2016	
Operation/Commodity	**Amount**	**%**	Amount	%	Amount	%
Crops and Agricultural Commodities	**$ 392,942,740**	**32.0%**	$ 389,069,236	29.5%	$ 330,496,179	28.7%
Hunting, Trapping & Game Propagation	**347,497,299**	**28.3%**	399,212,032	30.3%	364,919,783	31.8%
Livestock	**330,641,421**	**26.9%**	356,959,801	27.1%	286,626,574	24.9%
Farm-Related Operations	**152,905,600**	**12.5%**	168,198,848	12.8%	166,388,000	14.4%
Rural Home Loans	**3,209,928**	**0.3%**	3,469,623	0.3%	2,084,020	0.2%
	$ 1,227,196,988	**100.0%**	$ 1,316,909,540	100.0%	$ 1,150,514,556	100.0%

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are secured by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (or 97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in the loan-to-value ratios in excess of the regulatory maximum.

To mitigate the risk of loan losses, the Association has obtained loan guarantees in the form of standby commitments from Farmer Mac to purchase qualifying loans through an arrangement with the Bank. The agreements, which will remain in place until the loans are paid in full, give the Association the right to sell the loans identified in the agreements to Farmer Mac in the event of defaults (typically four months past due), subject to certain conditions. At December 31, 2018, 2017 and 2016, loans totaling $22,214,583, $29,942,314 and $36,507,229, respectively, were guaranteed by these commitments. Fees paid for these guarantees totaled $135,296, $179,456 and $213,292 in 2018, 2017 and 2016, respectively, and are included in "other noninterest expense."

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

	December 31, 2018	December 31, 2017	December 31, 2016
Nonaccrual loans:			
Real estate mortgage	**$ 5,791,230**	$ 3,420,947	$ 812,714
Production and intermediate term	**3,789,357**	3,463,440	181,805
Rural residential real estate	**31,158**	31,158	63,745
Total nonaccrual loans	**9,611,745**	6,915,545	1,058,264
Accruing restructured loans:			
Real estate mortgage	**1,274,222**	286,090	1,344,219
Production and intermediate term	**-**	-	150,225
Mission-related investments	**839,300**	863,704	887,013
Total accruing restructured loans	**2,113,522**	1,149,794	2,381,457
Accruing loans 90 days or more past due:			
Real estate mortgage	**-**	-	533
Production and intermediate term	**633,586**	7,146	-
Agribusiness	**-**	19,834	-
Total accruing loans 90 days or more past due	**633,586**	26,980	533
Total nonperforming loans	**12,358,853**	8,092,319	3,440,254
Other property owned	**-**	25,786	89,887
Total nonperforming assets	**$ 12,358,853**	$ 8,118,105	$ 3,530,141

One credit quality indicator utilized by the Bank and the Association is the Farm Credit Administration's 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 classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of December 31:

	2018	2017	2016
Real estate mortgage			
Acceptable	**97.4 %**	97.7 %	98.1 %
OAEM	**1.3 %**	1.1 %	0.9 %
Substandard/doubtful	**1.3 %**	1.2 %	1.0 %
	100.0 %	100.0 %	100.0 %
Production and intermediate term			
Acceptable	**88.9 %**	91.2 %	93.1 %
OAEM	**7.2 %**	3.3 %	2.7 %
Substandard/doubtful	**3.9 %**	5.5 %	4.2 %
	100.0 %	100.0 %	100.0 %
Loans to cooperatives			
Acceptable	**100.0 %**	100.0 %	100.0 %
Processing and marketing			
Acceptable	**100.0 %**	100.0 %	100.0 %
Farm-related business			
Acceptable	**100.0 %**	100.0 %	100.0 %
Communication			
Acceptable	**86.2 %**	100.0 %	100.0 %
OAEM	**13.8 %**	- %	- %
	100.0 %	100.0 %	100.0 %
Energy			
Acceptable	**72.9 %**	73.2 %	40.6 %
OAEM	**27.1 %**	26.8 %	59.4 %
	100.0 %	100.0 %	100.0 %
Rural residential real estate			
Acceptable	**78.1 %**	84.0 %	78.0 %
OAEM	**20.8 %**	15.0 %	19.4 %
Substandard/doubtful	**1.1 %**	1.0 %	2.6 %
	100.0 %	100.0 %	100.0 %
Mission-related investments			
Acceptable	**100.0 %**	100.0 %	100.0 %
Total Loans			
Acceptable	**95.9 %**	96.7 %	97.2 %
OAEM	**2.4 %**	1.5 %	1.4 %
Substandard/doubtful	**1.7 %**	1.8 %	1.4 %
	100.0 %	100.0 %	100.0 %

There were no loans and related interest in the loss category.

The following tables provide an age analysis of past due loans (including accrued interest) as of December 31, 2018, 2017 and 2016:

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	**$ 8,766,334**	**$ 621,596**	**$ 9,387,930**	**$ 912,976,163**	**$ 922,364,093**	**$ -**
Production and intermediate term	**1,881,598**	**633,804**	**2,515,402**	**222,722,678**	**225,238,080**	**633,586**
Agribusiness:						
Processing and marketing	**-**	**-**	**-**	**62,317,756**	**62,317,756**	**-**
Loans to cooperatives	**-**	**-**	**-**	**9,215,999**	**9,215,999**	**-**
Farm-related business	**-**	**-**	**-**	**3,715,221**	**3,715,221**	**-**
Communication	**-**	**-**	**-**	**5,930,414**	**5,930,414**	**-**
Energy	**-**	**-**	**-**	**3,299,372**	**3,299,372**	**-**
Rural residential real estate	**128,126**	**31,158**	**159,284**	**2,606,101**	**2,765,385**	**-**
Mission-related investments	**-**	**-**	**-**	**2,272,441**	**2,272,441**	**-**
Total	**$ 10,776,058**	**$ 1,286,558**	**$ 12,062,616**	**$ 1,225,056,145**	**$ 1,237,118,761**	**$ 633,586**

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	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 7,053,818	$ 18,035	$ 7,071,853	$ 1,007,842,028	$ 1,014,913,881	$ -
Production and intermediate term	1,104,442	414,612	1,519,054	208,705,515	210,224,569	7,146
Agribusiness:						
Processing and marketing	-	19,834	19,834	69,462,829	69,482,663	19,834
Loans to cooperatives	973,312	-	973,312	5,806,653	6,779,965	-
Farm-related business	-	5	5	5,489,401	5,489,406	-
Communication	-	-	-	10,156,088	10,156,088	-
Energy	-	-	-	3,822,948	3,822,948	-
Rural residential real estate	168,712	-	168,712	2,935,008	3,103,720	-
Mission-related investments	98,183	-	98,183	2,252,528	2,350,711	-
Total	$ 9,398,467	$ 452,486	$ 9,850,953	$ 1,316,472,998	$ 1,326,323,951	$ 26,980

December 31, 2016:	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	$ 3,279,947	$ 413,734	$ 3,693,681	$ 871,835,385	$ 875,529,066	$ 533
Production and intermediate term	694,712	145,046	839,758	189,340,437	190,180,195	-
Agribusiness:						
Processing and marketing	-	-	-	57,404,889	57,404,889	-
Farm-related business	-	-	-	10,720,174	10,720,174	-
Loans to cooperatives	5	-	5	7,146,539	7,146,544	-
Communication	-	-	-	7,124,004	7,124,004	-
Energy	-	-	-	4,343,516	4,343,516	-
Mission-related investments	-	-	-	3,605,648	3,605,648	-
Rural residential real estate	206,847	-	206,847	2,269,858	2,476,705	-
Total	$ 4,181,511	$ 558,780	$ 4,740,291	$ 1,153,790,451	$ 1,158,530,741	$ 533

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 December 31, 2018, the total recorded investment of troubled debt restructured loans was $2,158,687, including $45,165 classified as nonaccrual and $2,113,522 classified as accrual, with specific allowance for loan losses of $15,552. As of December 31, 2018, commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring were $25,818.

The following tables present additional information regarding troubled debt restructurings, which includes both accrual and nonaccrual loans with troubled debt restructuring designation, that occurred during the year ended December 31, 2018. The pre-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The post-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end the restructuring occurred. The Association did not have any troubled debt restructurings that occurred for the years ended December 31, 2017 and 2016.

December 31, 2018:	**Pre-modification Outstanding Recorded Investment**	**Post-modification Outstanding Recorded Investment**
Troubled debt restructurings:		
Real estate mortgage	**$ 1,028,673**	**$ 1,015,938**

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 at the modification date related to troubled debt restructurings that occurred during the year ending December 31, 2018.

The predominant form of concession granted for troubled debt restructuring includes loan modifications which include interest rates lower than the borrower could otherwise receive in the market based on credit worthiness. Other types of modifications include extension of the term, principal or accrued interest reductions, interest rate decreases and delayed payments. At times these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case the Association assesses all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

For the years ended December 31, 2018, 2017 and 2016, no loans that met the accounting criteria as a troubled debt restructuring and that occurred within the previous 12 months of that year had a 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 Association made no additional commitments to lend to borrowers whose loans were modified in troubled debt restructurings.

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:

	Loans Modified as TDRs		
	December 31, 2018	December 31, 2017	December 31, 2016
Troubled debt restructurings:			
Real estate mortgage	**$ 1,274,222**	$ 286,090	$ 1,344,220
Production and intermediate term	**-**	-	150,224
Mission-related investments	**839,300**	863,704	887,013
Total	**$ 2,113,522**	$ 1,149,794	$ 2,381,457

	TDRs on Nonaccrual Status*		
	December 31, 2018	December 31, 2017	December 31, 2016
Troubled debt restructurings:			
Real estate mortgage	**$ 45,165**	$ 45,165	$ 77,203
Production and intermediate term	**-**	-	175
Total	**$ 45,165**	$ 45,165	$ 77,378

*Represents the portion of loans modified as TDRs that are in nonaccrual status

Additional impaired loan information is as follows:

	Recorded Investment at 12/31/2018	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Mission-related investments	**$ 54,728**	**$ 54,003**	**$ 15,552**	**$ 54,830**	**$ 4,402**
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	**$ 7,065,452**	**$ 7,174,681**	**$ -**	**$ 5,161,674**	**$ 140,964**
Production and intermediate term	**4,422,943**	**6,625,277**	**-**	**3,608,834**	**45,646**
Rural residential real estate	**31,158**	**66,058**	**-**	**31,158**	**-**
Mission-related investments	**784,572**	**776,717**	**-**	**784,298**	**47,686**
Total	**$ 12,304,125**	**$ 14,642,733**	**$ -**	**$ 9,585,964**	**$ 234,296**
Total impaired loans:					
Real estate mortgage	**$ 7,065,452**	**$ 7,174,681**	**$ -**	**$ 5,161,674**	**$ 140,964**
Production and intermediate term	**4,422,943**	**6,625,277**	**-**	**3,608,834**	**45,646**
Rural residential real estate	**31,158**	**66,058**	**-**	**31,158**	**-**
Mission-related investments	**839,300**	**830,720**	**15,552**	**839,128**	**52,088**
Total	**$ 12,358,853**	**$ 14,696,736**	**$ 15,552**	**$ 9,640,794**	**$ 238,698**

	Recorded Investment at 12/31/2017	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Production and intermediate term	$ 50,000	$ 77,400	$ 12,500	$ 104,855	$ -
Mission-related investments	65,671	64,889	26,446	66,179	4,929
Total	$ 115,671	$ 142,289	$ 38,946	$ 171,034	$ 4,929
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 3,707,037	$ 3,913,019	$ -	$ 957,017	$ 136,103
Production and intermediate term	3,420,586	6,079,222	-	884,326	122,225
Processing and marketing	19,834	19,495	-	255,190	12,793
Rural residential real estate	31,158	66,058	-	40,554	-
Mission-related investments	798,033	790,000	-	796,575	48,596
Total	$ 7,976,648	$ 10,867,794	$ -	$ 2,933,662	$ 319,717
Total impaired loans:					
Real estate mortgage	$ 3,707,037	$ 3,913,019	$ -	$ 957,017	$ 136,103
Production and intermediate term	3,470,586	6,156,622	12,500	989,181	122,225
Processing and marketing	19,834	19,495	-	255,190	12,793
Rural residential real estate	31,158	66,058	-	40,554	-
Mission-related investments	863,704	854,889	26,446	862,754	53,525
Total	$ 8,092,319	$ 11,010,083	$ 38,946	$ 3,104,696	$ 324,646

	Recorded Investment at 12/31/2016	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 59,963	$ 82,417	$ 55,631	$ 56,149	$ -
Production and intermediate term	110,850	116,451	24,712	112,694	-
Mission-related investments	67,972	67,972	25,345	69,234	5,092
Total	$ 238,785	$ 266,840	$ 105,688	$ 238,077	$ 5,092
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 2,108,828	$ 3,345,366	$ -	$ 2,248,815	$ 91,647
Production and intermediate term	218,896	1,793,609	-	356,388	10,366
Rural residential real estate	63,745	98,739	-	65,271	610
Mission-related investments	810,000	810,000	-	816,667	49,817
Total	$ 3,201,469	$ 6,047,714	$ -	$ 3,487,141	$ 152,440
Total impaired loans:					
Real estate mortgage	$ 2,168,791	$ 3,427,783	$ 55,631	$ 2,304,964	$ 91,647
Production and intermediate term	329,746	1,910,060	24,712	469,082	10,366
Rural residential real estate	63,745	98,739	-	65,271	610
Mission-related investments	877,972	877,972	25,345	885,901	54,909
Total	$ 3,440,254	$ 6,314,554	$ 105,688	$ 3,725,218	$ 157,532

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

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at December 31, 2018, 2017 and 2016.

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans at December 31:

	2018	2017	2016
Interest income which would have been recognized under the original terms	**$ 982,558**	$ 706,156	$ 466,251
Less: interest income recognized	**(238,698)**	(324,646)	(157,532)
Foregone interest income	**$ 743,860**	$ 381,510	$ 308,719

A summary of the changes in the allowance for credit losses and the ending balance of loans outstanding are as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Rural Residential Real Estate	Lease Receivable	Mission-Related Investments	Total
Allowance for Credit Losses:									
Balance at December 31, 2017	**$ 1,739,723**	**$ 972,579**	**$ 746,813**	**$ 9,978**	**$ 20,898**	**$ 11,724**	**$ 28**	**$ 24,453**	**$ 3,526,196**
Charge-offs	**-**	**(23,800)**	**-**	**-**	**-**	**-**	**-**	**-**	**(23,800)**
Recoveries	**15,978**	**501,736**	**-**	**-**	**-**	**-**	**-**	**-**	**517,714**
Provision for loan losses	**(432,488)**	**(592,449)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,024,937)**
Other	**(1,741)**	**2,899**	**-**	**-**	**-**	**-**	**(28)**	**-**	**1,130**
Balance at December 31, 2018	**$ 1,321,472**	**$ 860,965**	**$ 746,813**	**$ 9,978**	**$ 20,898**	**$ 11,724**	**$ -**	**$ 24,453**	**$ 2,996,303**
Ending Balance: individually evaluated for impairment	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 15,552**	**$ 15,552**
Ending Balance: collectively evaluated for impairment	**$ 1,321,472**	**$ 860,965**	**$ 746,813**	**$ 9,978**	**$ 20,898**	**$ 11,724**	**$ -**	**$ 8,901**	**$ 2,980,751**
Recorded Investment in Loans Outstanding:									
Ending Balance at December 31, 2018	**$ 922,364,093**	**$ 225,238,080**	**$ 75,248,976**	**$ 5,930,414**	**$ 3,299,372**	**$ 2,765,385**	**$ -**	**$ 2,272,441**	**$ 1,237,118,761**
Ending balance for loans individually evaluated for impairment	**$ 7,071,327**	**$ 4,412,840**	**$ -**	**$ -**	**$ -**	**$ 31,158**	**$ -**	**$ 830,719**	**$ 12,346,044**
Ending balance for loans collectively evaluated for impairment	**$ 915,097,478**	**$ 220,825,240**	**$ 75,248,976**	**$ 5,930,414**	**$ 3,299,372**	**$ 2,734,227**	**$ -**	**$ 1,441,722**	**$ 1,224,577,429**
Ending balance for loans acquired with deteriorated credit quality	**$ 195,288**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 195,288**

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Rural Residential Real Estate	Lease Receivable	Mission-Related Investments	Total
Allowance for Credit Losses:									
Balance at December 31, 2016	$ 1,287,214	$ 1,584,546	$ 746,813	$ 9,978	$ 20,898	$ 11,724	$ 28	$ 24,453	$ 3,685,654
Charge-offs	3,963	(1,101,192)	-	-	-	-	-	-	(1,097,229)
Recoveries	197,370	19,636	-	-	-	-	-	-	217,006
Provision for loan losses	251,176	500,714	-	-	-	-	-	-	751,890
Other	-	(31,125)	-	-	-	-	-	-	(31,125)
Balance at December 31, 2017	$ 1,739,723	$ 972,579	$ 746,813	$ 9,978	$ 20,898	$ 11,724	$ 28	$ 24,453	$ 3,526,196
Ending Balance: individually evaluated for impairment	$ -	$ 12,500	$ -	$ -	$ -	$ -	$ -	$ 26,446	$ 38,946
Ending Balance: collectively evaluated for impairment	$ 1,739,723	$ 960,079	$ 746,813	$ 9,978	$ 20,898	$ 11,724	$ 28	$ (1,993)	$ 3,487,250
Recorded Investment in Loans Outstanding:									
Ending Balance at December 31, 2017	$ 1,014,913,881	$ 210,224,569	$ 81,752,034	$ 10,156,088	$ 3,822,948	$ 3,103,720	$ -	$ 2,350,711	$ 1,326,323,951
Ending balance for loans individually evaluated for impairment	$ 3,738,414	$ 3,470,578	$ 19,495	$ -	$ -	$ 31,158	$ -	$ 854,889	$ 8,114,534
Ending balance for loans collectively evaluated for impairment	$ 1,010,954,448	$ 206,745,711	$ 81,732,539	$ 10,156,088	$ 3,822,948	$ 3,072,562	$ -	$ 1,495,822	$ 1,317,980,118
Ending balance for loans acquired with deteriorated credit quality	$ 221,019	$ 8,280	$ -	$ -	$ -	$ -	$ -	$ -	$ 229,299

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Rural Residential Real Estate	Lease Receivable	Mission-Related Investments	Total
Allowance for Credit Losses:									
Balance at December 31, 2015	$ 850,953	$ 1,320,227	$ 580,818	$ 9,978	$ 20,898	$ 11,724	$ 28	$ 24,453	$ 2,819,079
Charge-offs	-	(323,198)	-	-	-	-	-	-	(323,198)
Recoveries	373,323	3,316	16,000	-	-	-	-	-	392,639
Provision for loan losses	50,488	419,708	132,543	-	-	-	-	-	602,739
Adjustment due to merger	-	-	-	-	-	-	-	-	-
Other	12,450	164,493	17,452	-	-	-	-	-	194,395
Balance at December 31, 2016	$ 1,287,214	$ 1,584,546	$ 746,813	$ 9,978	$ 20,898	$ 11,724	$ 28	$ 24,453	$ 3,685,654
Ending Balance: individually evaluated for impairment	$ 55,631	$ 24,712	$ -	$ -	$ -	$ -	$ -	$ 25,345	$ 105,688
Ending Balance: collectively evaluated for impairment	$ 1,231,583	$ 1,559,834	$ 746,813	$ 9,978	$ 20,898	$ 11,724	$ 28	$ (892)	$ 3,579,966
Recorded Investment in Loans Outstanding:									
Ending Balance at December 31, 2016	$ 875,529,066	$ 190,180,195	$ 75,271,607	$ 7,124,004	$ 4,343,516	$ 2,476,705	$ -	$ 3,605,648	$ 1,158,530,741
Ending balance for loans individually evaluated for impairment	$ 2,209,870	$ 329,746	$ -	$ -	$ -	$ 63,745	$ -	$ 877,972	$ 3,481,333
Ending balance for loans collectively evaluated for impairment	$ 873,000,193	$ 189,836,921	$ 75,271,607	$ 7,124,004	$ 4,343,516	$ 2,412,960	$ -	$ 2,727,676	$ 1,154,716,877
Ending balance for loans acquired with deteriorated credit quality	$ 319,003	$ 13,528	$ -	$ -	$ -	$ -	$ -	$ -	$ 332,531

NOTE 5 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS:

The investment in the Farm Credit Bank of Texas is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying consolidated balance sheet. Estimating the fair value of the Association's investment in the Farm Credit Bank of Texas is not practicable because the stock is not traded. The Association owned 7.3 percent, 7.5 percent and 6.9 percent of the issued stock of the Bank as of December 31, 2018, 2017 and 2016. As of those dates, the Bank's assets totaled $24.5 billion, $22.8 billion and $21.2 billion and members' equity totaled $1.8 billion, $1.7 billion and $1.6 billion. The Bank's earnings were $190.5 million, $196.0 million and $192.4 million during 2018, 2017 and 2016.

NOTE 6 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2018	2017	2016
Land	**$ 1,929,732**	$ 1,939,839	$ 1,886,278
Building and improvements	**10,011,082**	9,718,720	8,833,356
Furniture and equipment	**1,227,904**	1,004,224	914,024
Computer equipment and software	**662,917**	631,381	603,499
Automobiles	**1,522,208**	1,496,010	1,401,408
Construction in progress	**1,192,114**	650,441	305,984
	16,545,957	15,440,615	13,944,549
Accumulated depreciation	**(4,051,548)**	(3,648,489)	(3,394,942)
Total	**$ 12,494,409**	$ 11,792,126	$ 10,549,607

The Association leases office space in Bonham, Brenham, Dallas, Gainesville, Heath, McAllen, Paris and Prosper. The Hebbronville office lease was terminated in 2018. Lease expense was $126,980, $81,813 and $35,651 for 2018, 2017 and 2016, respectively. The lease contracts range from monthly lease terms to up to five-year lease terms. None of the leases qualify as capital leases and all lease contracts are considered operating leases. Minimum annual lease payments for the next five years are as follows:

	Operating
2019	$ 114,264
2020	77,453
2021	31,920
2022	3,105
Thereafter	-
Total	$ 226,742

NOTE 7 — OTHER PROPERTY OWNED, NET:

Net gain (loss) on other property owned, net consists of the following for the years ended December 31:

	2018	2017	2016
Gain (loss) on sale, net	**$ 1,098**	$ 48,611	$ -
Operating income (expense), net	**414,107**	(1,356)	13,736
Net gain (loss) on other property owned	**$ 415,205**	$ 47,255	$ 13,736

At December 31, 2018, the Association held no properties requiring classification as other property owned.

NOTE 8 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2018	2017	2016
Intangible Assets	**$ 2,313,997**	$ 1,920,000	$ 576,000
Nonqualified deferred compensation	**529,193**	386,568	247,185
Prepaid expenses	**397,833**	216,671	1,379,803
Accounts receivable - other	**12,721**	16,869	15,464
Farmer Mac stock	**8,000**	8,000	8,000
Miscellaneous assets	**908**	908	908
Total	**$ 3,262,652**	$ 2,549,016	$ 2,227,360

Other liabilities comprised the following at December 31:

	2018	2017	2016
Operating accounts payable	**$ 5,594,727**	$ 5,445,839	$ 5,392,802
Postretirement benefits liability	**4,154,101**	4,616,376	4,114,750
Insurance payable	**940,030**	1,472,375	1,394,195
Accrued annual leave	**668,982**	628,424	557,826
Allowance on unfunded loans	**428,273**	429,403	398,278
Federal income taxes payable	**127,361**	-	-
Miscellaneous liabilities	**36,479**	40,209	10,297
Total	**$ 11,949,953**	$ 12,632,626	$ 11,868,148

The Association owns three crop insurance agencies within its territory. One agency was purchased in August 2018 for $572,140, one agency was purchased in September 2017 for $1,500,000 and one agency was purchased in March 2016 for $600,000. All three purchases are classified as intangible assets based on goodwill resulting from the expected future benefit of customer contracts. Amortization of $178,143 was recorded for 2018 and amortization of $178,143 per year is estimated over the five succeeding fiscal years. At December 31, 2018, the balance of these intangible assets after amortization reported was $2,313,997.

NOTE 9 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process. The Association's indebtedness to the Bank represents borrowings by the Association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the Association's assets, and is governed by a general financing agreement. The interest rate on the direct loan is based upon the Bank's cost of funding the loans the Association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2020, 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 total amount and the weighted average interest rate of the Association's direct loan from the Bank at December 31, 2018, 2017 and 2016, was $1,059,336,455 at 2.72 percent, $1,156,165,343 at 2.27 percent and $1,002,450,271 at 1.96 percent, respectively.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2018, 2017 and 2016, the Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2018, was $1,233,111,978, as defined by the general financing agreement.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information, and establishing policies and procedures. Remedies specified in the general financing agreement associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2018, 2017 and 2016, the Association was not subject to remedies associated with the covenants in the general financing agreement.

NOTE 10 — MEMBERS' EQUITY:

A description of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below.

Since the Association operates for the mutual benefit of its customer-owners and other customers and not for the benefit of any other equity investors, capital stock provides no significant interest in corporate earnings or growth. Specifically, due to restrictions in applicable regulations and bylaws, the Association can issue stock only at its par value of $5 per share, the stock is not tradable, and the stock can be retired only for the lesser of par value or book value. In these and other respects, the shares of stock in one association that were converted to shares of another association had identical rights and attributes. For this reason, the conversion of stock pursuant to the mergers occurred at a one-for-one exchange ratio. Management believes that because the stock in each association is fixed in value, the stock issued pursuant to the mergers provides no basis for estimating the fair value of the consideration transferred pursuant to the mergers. In the absence of a purchase price determination, the acquiring association identified and estimated the acquisition date fair value of the net assets of the acquired association instead of the acquisition date fair value of the equity interests transferred as consideration. The fair value of the assets acquired, including specific intangible assets and liabilities assumed, were measured based on various estimates using assumptions that management believes are reasonable utilizing information then available. This evaluation produced a fair value of identifiable assets acquired and liabilities assumed that was substantially equal to the fair value of the member interests transferred in the mergers. The excess value received, by the acquiring association from the acquired association, over the par value of capital stock and participation certificates issued in the mergers was considered to be additional paid-in capital.

The Association classifies its retained earnings as either allocated or unallocated. Allocated retained earnings represents allocated patronage surplus that is eligible for cash redemption after seven years from issuance. Redemption of allocated retained earnings is at the sole discretion of the Association's board of directors. Unallocated retained earnings represents undistributed profits and nonqualified patronage surplus that has restrictions for future redemption.

Protection of certain borrower equity is provided under the Act that requires the Association, when retiring protected borrower equity, to retire such equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock, participation certificates and allocated equities that were outstanding as of January 6, 1988, or were issued or allocated prior to

October 6, 1988. If the Association is unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. Borrowers are required to purchase investment in Class B capital stock (in the case of agricultural loans to producers) or participation certificates (in the purchase of rural home loans and farm-related business loans) equal to 2.0 percent of the principal amount of their cumulative loan balances for both PCA and FLCA members with a maximum of $1,000. The borrower usually acquires the Class B capital stock or participation certificates by adding the aggregate par value to the disbursement on the initial loan obligation. The capital stock or participation certificates are subject to a first lien by the Association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates.

If needed to meet regulatory capital adequacy requirements, the board of directors of the Association may increase the percentage of stock requirement for each borrower up to a maximum of 10.0 percent of the loan amount.

Each owner or joint owners of Class B capital stock are entitled to a single vote. Participation certificates provide no voting rights to their owners.

Borrowers who wish to retain their investment in the Association after liquidating their loan balance may convert their Class B capital stock holdings to Class A capital stock. Within two years of repayment of a loan, the Association capital bylaws require the conversion of any borrower's outstanding Class B to Class A capital stock. Class A capital stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Redemption of all stock shares is made solely at the discretion of the Association's board of directors. At December 31, 2018, 2017 and 2016, the Association had $410,845, $350,985 and $272,525, respectively, of Class A stock.

All borrower stock is at risk. Any losses which result in any impairment of the Association's capital stock shall be borne ratably, by each share or unit of all classes of common stock and participation certificates. Impaired stock and participation certificates shall be restored in the reverse sequence until each share of stock and unit of participation certificates has a book value equal to the par or face value, respectively. In the event of the liquidation or dissolution of the Association, any assets of the Association remaining after payment or retirement of all liabilities shall be distributed to stockholders.

Patronage distributions may be paid on the capital stock and participation certificates of the Association, as the board of directors may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts declared but not distributed in cash are retained as allocated and unallocated retained earnings based on the classification of the distribution as qualified or nonqualified. The following patronage distributions were declared and paid in cash, allocated and/or unallocated retained earnings in 2018, 2017 and 2016, respectively:

Date Declared	**Date Paid or Payable**	**Total Patronage**
December 2018	April 2019	$ 18,900,000
October 2018	December 2018	$ 5,238,499
December 2017	April 2018	$ 16,177,000
October 2017	December 2017	$ 4,876,781
December 2016	April 2017	$ 14,210,000
September 2016	December 2016	$ 4,678,569
December 2015	April 2016	$ 11,675,000

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. Effective January 1, 2017, new regulatory capital requirements for banks and associations were adopted. These new requirements replaced the core surplus and total surplus requirements with Common Equity Tier 1, Tier 1 Capital and Total Capital risk-based capital ratio requirements. The new requirements also replaced the existing net collateral ratio for System banks with a Tier 1 Leverage ratio and an Unallocated Retained Earnings (URE) and URE Equivalents Leverage ratio that are applicable to both the banks and associations. The Permanent Capital Ratio continues to remain in effect; however, the risk-adjusted assets are calculated differently than in the past. As of December 31, 2018, the Association is not prohibited from retiring stock or distributing earnings. Furthermore, neither the board nor senior management knows of any such prohibitions that may apply during the subsequent fiscal year.

The following sets forth the regulatory capital ratio requirements and ratios at December 31, 2018:

Risk-adjusted:	Regulatory Minimums	Conservation Buffer*	Total	As of December 31, 2018
Common equity tier 1 ratio	4.50%	2.50%	7.00%	14.84%
Tier 1 capital ratio	6.00%	2.50%	8.50%	14.84%
Total capital ratio	8.00%	2.50%	10.50%	15.12%
Permanent capital ratio	7.00%	0.00%	7.00%	14.88%
Non-risk-adjusted:				
Tier 1 leverage ratio**	4.00%	1.00%	5.00%	14.55%
UREE leverage ratio	1.50%	0.00%	1.50%	10.63%

*The 2.5% capital conservation buffer for the risk-adjusted ratios will be phased in over a three year period ending on December 31, 2019. There is no phase-in of the leverage buffer.

**Must include the regulatory minimum requirement for the URE and UREE Leverage ratio

Risk-adjusted assets have been defined by FCA Regulations as the Statement of Condition assets and off balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. The primary changes which generally have the impact of increasing risk-adjusted assets (decreasing risk-based regulatory capital ratios) were as follows:

- Inclusion of off-balance-sheet commitments less than 14 months
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status

Risk-adjusted assets is calculated differently for the permanent capital ratio (referred herein as PCR risk-adjusted assets) compared to the other risk-based capital ratios. The primary difference is the deduction of the allowance for loan losses from risk-adjusted assets for the permanent capital ratio.

The ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is tier 1 capital plus other required borrower stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

The components of the Association's risk-adjusted capital, based on 90 average balances, were as follows at December 31, 2018:

(dollars in thousands)	**Common equity tier 1 ratio**	**Tier 1 capital ratio**	**Total capital ratio**	**Permanent capital ratio**
Numerator:				
Unallocated retained earnings	$ 65,674,153	$ 65,674,153	$ 65,674,153	$ 65,674,153
Paid-in capital	47,596,495	47,596,495	47,596,495	47,596,495
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	4,101,251	4,101,251	4,101,251	4,101,251
Allocated equities held ≥7	52,849,402	52,849,402	52,849,402	52,849,402
Nonqualified allocated equities not subject to retirement	33,066,082	33,066,082	33,066,082	33,066,082
Allowance for loan losses and reserve for credit losses subject to certain limitations*			3,472,009	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(19,127,747)	(19,127,747)	(19,127,747)	(19,127,747)
Other regulatory required deductions	(2,550,813)	(2,550,813)	(2,550,813)	(2,550,813)
	$ 181,608,823	$ 181,608,823	$ 185,080,832	$ 181,608,823
Denominator:				
Risk-adjusted assets excluding allowance	$ 1,245,625,962	$ 1,245,625,962	$ 1,245,625,962	$ 1,245,625,962
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(21,678,561)	(21,678,561)	(21,678,561)	(21,678,561)
Allowance for loan losses				(3,094,562)
	$ 1,223,947,401	$ 1,223,947,401	$ 1,223,947,401	$ 1,220,852,839

*Capped at 1.25% of risk-adjusted assets

The components of the Association's non-risk-adjusted capital, based on 90 average balances, were as follows at December 31, 2018:

(dollars in thousands)	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 65,674,153	$ 65,674,153
Paid-in capital	47,596,495	47,596,495
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	4,101,251	-
Allocated equities:		
Allocated equities held ≥7	52,849,402	-
Nonqualified allocated equities not subject to retirement	33,066,082	33,066,082
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(19,127,747)	(11,022,481)
Other regulatory required deductions	(2,550,813)	(2,550,813)
	$ 181,608,823	$ 132,763,436
Denominator:		
Total Assets	$ 1,275,076,812	$ 1,275,076,812
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(26,688,460)	(26,688,460)
	$ 1,248,388,352	$ 1,248,388,352

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 capital standards. The Plan monitors projected patronage distributions, equity retirements and other actions that may decrease the Association's 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 of directors.

An FCA regulation empowers the FCA to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

The Association is authorized to have outstanding Class A common stock, Class B common stock, Class P common stock, Class C preferred stock and participation certificates. Borrowers who hold Class B common stock or participation certificates are eligible for patronage distribution from fiscal year net earnings. Subsequent distribution of allocated surplus does not require the recipient be a current stockholder of the Association. The Association has not issued and has no outstanding Class P common stock or Class C preferred stock.

In the event of liquidation or dissolution of the Association, any assets of the Association remaining after the payment or retirement of all liabilities would be distributed to holders of stock and participation certificates. First, to the holder's pro-rata of Class C preferred stock then outstanding until an amount equal to the aggregate par value of such stock has been distributed to such holder. Second, to the holders of common stock and participation certificates, pro-rata in proportion to the number of shares of units of stock or participation certificates then outstanding until an amount equal to the aggregate par value or unit value of all shares of such stock and participation certificates issued and outstanding has been distributed to such holders.

At December 31, the Association had the following shares of Class A capital stock, Class B stock and participation certificates outstanding at a par value of $5 per share:

	2018	2017	2016
Class A stock	**82,169**	70,197	54,505
Class B stock	**729,314**	722,711	678,348
Participation certificates	**8,536**	9,748	12,904
Total	**820,019**	802,656	745,757

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

Accumulated Other Comprehensive Loss	
December 31, 2018	**Net of Tax**
Nonpension postretirement benefits	**$ (198,585)**
December 31, 2017	Net of Tax
Nonpension postretirement benefits	$ (788,602)
December 31, 2016	Net of Tax
Nonpension postretirement benefits	$ (385,757)

The Association's accumulated other comprehensive loss relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income (loss) and the location on the income statement for the year ended December 31:

	2018	2017	2016
Accumulated other comprehensive loss at January 1	**$ (788,602)**	$ (385,757)	$ (485,882)
Actuarial gains (losses)	**420,140**	(376,318)	111,808
Prior service credit	**150,058**	-	-
Amortization of prior service credits included in salaries and employee benefits	**(22,176)**	(29,569)	(29,569)
Amortization of actuarial loss included in salaries and employee benefits	**41,995**	3,042	17,886
Other comprehensive income (loss), net of tax	**590,017**	(402,845)	100,125
Accumulated other comprehensive loss at December 31	**$ (198,585)**	$ (788,602)	$ (385,757)

NOTE 11 — INCOME TAXES:

The provision for (benefit from) income taxes follows for the years ended December 31:

	2018	2017	2016
Current:			
Federal	**$ 147,799**	$ 26,945	$ 46,358
Deferred:			
Federal	**283,793**	493,575	(31,195)
Total provision for (benefit from) income taxes	**$ 431,592**	$ 520,520	$ 15,163

As a result of the merger in 2014, the Association received a net operating loss carryforward from the acquired association of $2,160,826. The Association fully utilized the net operating loss carryforward to offset its tax liabilities in 2018. At December 31, 2018, there is no net operating loss carryforward resulting in a net deferred tax asset.

In December 2017, a new tax bill that lowered the 2018 corporate tax rate to 21 percent from the 2017 tax rate of 35 percent was signed into law. Generally Accepted Accounting Principles (GAAP) required the Association to revalue its deferred tax assets at the new lower tax rate and record any adjustment in 2017. The reevaluation under the new 21 percent corporate tax rate resulted in a decrease in deferred tax assets of $564,455. The decrease in the Association's deferred tax assets was recorded as a deferred tax expense for December 2017.

The provision for income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows for the years ended December 31:

	2018	2017	2016
Federal tax at statutory rate	**$ 6,549,320**	$ 8,872,171	$ 7,130,366
Effect of nontaxable FLCA subsidiary	**(5,457,793)**	(7,685,723)	(6,258,397)
Patronage distributions	**(840,000)**	(1,050,000)	(862,750)
Change in deferred tax rate	**-**	564,455	-
Other	**180,065**	(180,383)	5,944
Provision for (benefit from) income taxes	**$ 431,592**	$ 520,520	$ 15,163

Deferred tax assets and liabilities in accordance with accounting guidance, "Accounting for Income Taxes," are comprised of the following at December 31:

		2018		2017		2016
Deferred Tax Assets						
Allowance for loan losses	**$**	**503,478**	$	527,525	$	852,222
Postretirement benefits, other		**59,411**		106,348		108,741
Loss carryforwards		**-**		212,809		379,294
Deferred tax assets	**$**	**562,889**	$	846,682	$	1,340,257

The calculation of tax assets and liabilities involves various management estimates and assumptions as to the future taxable earnings. At December 31, 2018, non-patronage income is expected to be 12.2 percent of total taxable income (before patronage) and all non-patronage income is expected to be retained by the Association on a tax basis. The expected future tax rates are based upon enacted tax laws.

Upon formation of the ACA, the PCA transferred certain loans to the FLCA as permitted by the Act. The PCA did not transfer any allowance for loan losses related to the loans transferred. As a result, deferred taxes attributable to the allowance for loan losses subject to the transfer did not change.

The ACA is required to maintain an investment in the Bank of 2 percent of the average direct note. This investment can be held by both the PCA and FLCA. A deferred tax liability is established for the PCA for any excess investment in the Bank over that allocated to the 2 percent investment requirement. Upon formation of the ACA, additional amounts of excess investment previously held by the PCA were included in the calculation of the 2 percent requirement of the ACA. The PCA did not hold any excess investment as of December 31, 2018, 2017 and 2016, respectively.

The Association expects to fully utilize its gross deferred tax assets and has no deferred tax valuation allowance. The Association will continue to evaluate the realizability of the deferred tax assets.

NOTE 12 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the Association participate in either the defined benefit retirement plan (DB plan) or the defined contributions plan (DC plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section I of Note 2, "Summary of Significant Accounting Policies." The structure of the District's DB plan is characterized as multi-employer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (Bank and associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon District combination only. The Association records current contributions to the DB plan as an expense in the current year.

The CEO and certain executive or highly-compensated employees in the Association are eligible to participate in a separate nonqualified supplemental 401(k) plan, named the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (supplemental 401(k) plan). This plan allows District employers to elect to participate in any or all of the following benefits:

- Restored Employer Contributions – to allow "make-up" contributions for eligible employees whose benefits to the qualified 401(k) plan were limited by the Internal Revenue Code during the year
- Elective Deferrals – to allow eligible employees to make pre-tax deferrals of compensation above and beyond any deferrals into the qualified 401(k) plan
- Discretionary Contributions – to allow participating employers to make a discretionary contribution to an eligible employee's account in the plan, and to designate a vesting schedule

The Association elected to participate in the District's nonqualified defined contribution 401(k) plan, although participation from qualifying employees was limited. Contributions of $89,070, $73,945 and $85,160 were made to this plan for the years ended December 31, 2018, 2017 and 2016. There were no payments made from the supplemental 401(k) plan to active employees during 2018, 2017 and 2016.

The DB plan is noncontributory and benefits are based on salary and years of service. The legal name of the plan is Farm Credit Bank of Texas Pension Plan; its employer identification number is 74-1110170. The DB plan is not subject to any contractual expiration dates. The DB plan's funding policy is to fund current year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved by the plan sponsor. The plan sponsor is the board of the Farm Credit Bank of Texas. The "projected unit credit" actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB plan, to facilitate reorganization and/or restructuring. The actuarial present value of vested and nonvested accumulated benefit obligation exceeded the net assets of the DB plan as of December 31, 2018.

The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c. If the Association chooses to stop participating in some of its multi-employer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table includes additional information regarding the funded status of the plan, the Association's contributions, and the percentage of Association contribution to total plan contributions for the years ended December 31, 2018, 2017 and 2016:

	2018	2017	2016
Funded status of plan	**68.0%**	69.7%	66.4%
Association's contribution	**$ 485,749**	$ 493,153	$ 451,578
Percentage of Association's contribution to total contributions	**5.0%**	4.3%	3.8%

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 70.1 percent, 73.4 percent and 70.6 percent at December 31, 2018, 2017 and 2016, respectively.

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities.

The following table reflects the benefit obligation, cost and actuarial assumptions for the Association's other postretirement benefits:

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	2018	2017	2016
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 4,616,376**	$ 4,114,750	$ 4,073,695
Service cost	**67,544**	56,211	62,083
Interest cost	**182,225**	186,694	188,666
Plan participants' contributions	**47,313**	46,188	42,714
Plan amendments	**(150,058)**	-	-
Actuarial (gain) loss	**(420,140)**	376,318	(111,808)
Benefits paid	**(189,159)**	(163,785)	(140,600)
Accumulated postretirement benefit obligation, end of year	**$ 4,154,101**	$ 4,616,376	$ 4,114,750
Change in Plan Assets			
Company contributions	**$ 141,846**	$ 117,597	$ 97,886
Plan participants' contributions	**47,313**	46,188	42,714
Benefits paid	**(189,159)**	(163,785)	(140,600)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (4,154,101)**	$ (4,616,376)	$ (4,114,750)
Amounts Recognized in Statement of Financial Position			
Other liabilities	**$ (4,154,101)**	$ (4,616,376)	$ (4,114,750)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss	**$ 348,643**	$ 810,778	$ 437,502
Prior service credit	**(150,058)**	(22,176)	(51,745)
Total	**$ 198,585**	$ 788,602	$ 385,757
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	**12/31/2018**	12/31/2017	12/31/2016
Discount rate	**4.75%**	4.00%	4.60%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**7.30%/6.90%**	7.70%/6.90%	6.75%/6.50%
Health care cost trend rate assumed for next year - Rx	**6.90%**	6.90%	6.50%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2027**	2026	2025

Total Cost	**2018**	2017	2016
Service cost	**$ 67,544**	$ 56,211	$ 62,083
Interest cost	**182,225**	186,694	188,666
Amortization of:			
Unrecognized prior service credit	**(22,176)**	(29,569)	(29,569)
Unrecognized net loss	**41,995**	3,042	17,886
Net postretirement benefit cost	**$ 269,588**	$ 216,378	$ 239,066
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial (gain) loss	**$ (420,140)**	$ 376,318	$ (111,808)
Amortization of net actuarial loss	**(41,995)**	(3,042)	(17,886)
Prior service credit	**(150,058)**	-	-
Amortization of prior service credit	**22,176**	29,569	29,569
Total recognized in other comprehensive income	**$ (590,017)**	$ 402,845	$ (100,125)
AOCI Amounts Expected to be Amortized Into Expense			
Unrecognized prior service credit	**$ (21,716)**	$ (22,176)	$ (29,569)
Unrecognized net loss	**-**	41,995	3,042
Total	**$ (21,716)**	$ 19,819	$ (26,527)
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	**12/31/2017**	12/31/2016	12/31/2015
Discount rate	**4.00%**	4.60%	4.70%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**7.70%/6.90%**	6.75%/6.50%	7.00%/6.50%
Health care cost trend rate assumed for next year - Rx	**6.50%**	6.50%	6.50%
Ultimate health care cost trend rate	**4.50%**	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	**2026**	2025	2025

Expected Future Cash Flows	**2018**	2017	2016
Expected Benefit Payments (net of employee contributions)			
Fiscal 2019	**$ 170,546**	$ 165,198	$ 174,740
Fiscal 2020	**168,166**	164,012	168,628
Fiscal 2021	**183,932**	181,081	183,435
Fiscal 2022–2026	**195,348**	196,633	1,097,886
Fiscal 2023–2027	**217,340**	1,161,974	
Fiscal 2024–2028	**1,183,906**		
Expected Contributions			
Fiscal 2019	**$ 170,546**	$ 165,198	$ 174,740

NOTE 13 — RELATED PARTY TRANSACTIONS:

Directors of the Association, except for any director-elected directors, are required to be borrowers/stockholders of the Association. Also, in the ordinary course of business, the Association may enter into loan origination or servicing transactions with its officers, relatives of officers and directors, or with organizations with which such persons are associated. Such loans are subject to special approval requirements contained in FCA regulations and are made on the same terms, including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

Total loans to such persons at December 31, 2018, 2017 and 2016 for the Association amounted to $31,074,175, $28,307,208 and $27,308,447. During 2018, 2017 and 2016, $36,361,503, $33,599,631 and $31,560,278 of new loans were made, and repayments totaled $33,594,536, $32,600,870 and $28,022,290, respectively. In the opinion of management, no such loans outstanding at December 31, 2018, 2017 and 2016 involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the Bank and passed through to the associations, such as FCSIC expenses. The Bank charges the individual associations directly for these services based on each association's proportionate usage. These expenses totaled $737,536, $791,450 and $791,178 in 2018, 2017 and 2016, respectively.

The Association received patronage payments from the Bank totaling $8,462,542, $5,529,559 and $5,145,062 during 2018, 2017 and 2016, respectively.

NOTE 14 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value 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. See Note 2, "Summary of Significant Accounting Policies," for additional information.

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

December 31, 2018	**Fair Value Measurement Using**		
	Level 1	**Level 2**	**Level 3**
Assets:			
Loans	**$ -**	**$ -**	**$ 39,176**
Other property owned	**$ -**	**$ -**	**$ -**

December 31, 2017	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Loans	$ -	$ -	$ 76,725
Other property owned	$ -	$ -	$ 25,786

December 31, 2016	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Loans	$ -	$ -	$ 133,098
Other property owned	$ -	$ -	$ 89,887

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the consolidated balance sheet for each of the fair value hierarchy values are summarized as follows:

	December 31, 2018				
	Fair Value Measurement Using				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ 5,081,707**	**$ 5,081,707**	**$ -**	**$ -**	**$ 5,081,707**
Investments	**3,060,007**	**-**	**-**	**3,010,993**	**3,010,993**
Net loans	**1,223,544,092**	**-**	**-**	**1,195,608,979**	**1,195,608,979**
Total Assets	**$ 1,231,685,806**	**$ 5,081,707**	**$ -**	**$ 1,198,619,972**	**$ 1,203,701,679**
Liabilities:					
Note payable to Bank	**$ 1,059,336,455**	**$ -**	**$ -**	**$ 1,035,243,031**	**$ 1,035,243,031**

	December 31, 2017				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 4,851,927	$ 4,851,927	$ -	$ -	$ 4,851,927
Investments	3,610,101	-	-	3,541,927	3,541,927
Net loans	1,312,964,155	-	-	1,283,163,750	1,283,163,750
Total Assets	$ 1,321,426,183	$ 4,851,927	$ -	$ 1,286,705,677	$ 1,291,557,604
Liabilities:					
Note payable to Bank	$ 1,156,165,343	$ -	$ -	$ 1,129,959,892	$ 1,129,959,892

	December 31, 2016				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 6,024,074	$ 6,024,074	$ -	$ -	$ 6,024,074
Investments	4,498,160	-	-	4,492,257	4,492,257
Net loans	1,148,343,476	-	-	1,143,181,171	1,143,181,171
Total Assets	$ 1,158,865,710	$ 6,024,074	$ -	$ 1,147,673,428	$ 1,153,697,502
Liabilities:					
Note payable to Bank	$ 1,002,450,271	$ -	$ -	$ 986,009,519	$ 986,009,519

With regard to 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.

Information about Recurring and Nonrecurring Level 3 Fair Value Measurements:

	Valuation Technique(s)	Unobservable Input	Range of Inputs
Investments held to maturity	Discounted cash flow	Prepayment rates	2.3% - 38.0%

Information about Other Financial Instrument Fair Value Measurements:

	Valuation Technique(s)	Input
Cash	Carrying value	Actual balance
Investments held to maturity	Discounted cash flow	Prepayment rates Probability of default Loss severity
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Note payable to bank	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk
Other interest bearing liabilities	Carrying value	Par/principal and appropriate interest yield

Valuation Techniques

As more fully discussed in Note 2, "Summary of Significant Accounting Policies," accounting 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. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following represent a brief summary of the valuation techniques used by the Association for assets and liabilities:

Investments

Where quoted prices are available in an active market, available-for-sale securities would be classified as Level 1. If quoted prices are not available in an active market, the fair value of securities is estimated using pricing models that utilize observable inputs, quoted prices for similar securities received from pricing services or discounted cash flows. Generally, these securities would be classified as Level 2. This would include certain mortgage-backed and asset-backed securities. Where there is limited activity or less transparency around inputs to the valuation, the securities are classified as Level 3. Securities classified within Level 3 include a small portion of asset-backed securities and certain mortgage-backed securities, including private label-FHA/VA securities and those issued by Farmer Mac.

Assets Held in Nonqualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Loans Evaluated for Impairment

For certain loans individually evaluated for impairment under impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate, owned equipment or livestock 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, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, owned equipment or livestock, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

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 other property owned involves the use of appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 15 — COMMITMENTS AND CONTINGENCIES:

In addition to those commitments and contingencies discussed in Note 2, "Summary of Significant Accounting Policies," the Association is involved in various legal proceedings in the ordinary 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.

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2018, $245,441,271 of commitments to extend credit were outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the balance sheet until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

NOTE 16 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended December 31 (in thousands) follow:

	2018				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 9,260**	**$ 9,282**	**$ 9,160**	**$ 8,688**	**$ 36,390**
(Provision for) reversal of loan losses	**(12)**	**421**	**561**	**55**	**1,025**
Noninterest income (expense), net	**(1,875)**	**(1,995)**	**(2,164)**	**(625)**	**(6,659)**
Net income	**$ 7,373**	**$ 7,708**	**$ 7,557**	**$ 8,118**	**$ 30,756**

	2017				
	First	Second	Third	Fourth	Total
Net interest income	$ 8,740	$ 9,340	$ 9,424	$ 9,154	$ 36,658
(Provision for) reversal of loan losses	(371)	(176)	(168)	(37)	(752)
Noninterest income (expense), net	(2,564)	(3,114)	(2,776)	(2,623)	(11,077)
Net income	$ 5,805	$ 6,050	$ 6,480	$ 6,494	$ 24,829

	2016				
	First	Second	Third	Fourth	Total
Net interest income	$ 7,931	$ 8,052	$ 8,119	$ 8,075	$ 32,177
(Provision for) reversal of loan losses	(585)	170	378	(566)	(603)
Noninterest income (expense), net	(3,224)	(2,862)	(3,001)	(2,130)	(11,217)
Net income	$ 4,122	$ 5,360	$ 5,496	$ 5,379	$ 20,357

NOTE 17 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 13, 2019, which is the date the financial statements were issued or available to be issued and has determined that there were no other events requiring disclosure.

DISCLOSURE INFORMATION AND INDEX

(Unaudited)

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

The description of the territory served, the persons eligible to borrow, the types of lending activities engaged in and the financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1 to the consolidated financial statements, "Organization, Mergers and Operations," included in this annual report.

The descriptions of significant developments that had or could have a material impact on earnings, interest rates to borrowers, patronage, or dividends and acquisitions or dispositions of material assets, changes in the reporting entity, changes in patronage policies or practices and financial assistance provided by or to the Association through loss sharing or capital preservation agreements or from any other source, if any, required to be disclosed in this section are incorporated herein by reference from "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

DESCRIPTION OF PROPERTY

Texas Farm Credit Services (the Association) serves its 100-county territory through its main administrative and lending office at 545 South Highway 77, Robstown, Texas 78380. Additionally, there are 19 branch lending offices, three administrative offices, three crop insurance offices and two satellite offices located throughout the territory. The Association owns the Bandera, Beaumont, Bonham, Brenham, Fairfield, Nacogdoches, Pleasanton, Raymondville Crop Insurance, Raymondville Lending, Robstown Administrative, Robstown Branch, San Antonio, Sulphur Springs, Taft Crop Insurance, The Woodlands, Tyler Administrative, Tyler Branch, Uvalde and Weslaco offices, free of debt. The Association leases office space in Bonham for its crop insurance agency and in Brenham for an additional administrative office. The Association operates leased satellite offices in Dallas and McAllen. The Association leases offices for its lending operations in Gainesville, Heath, Paris and Prosper. During 2018, the Association closed a total of three lending offices located in Athens, Clarksville and Hebbronville. Members from those offices are now served by existing offices within a close proximity of the closed offices. The Association opened a new leased lending office during 2018 in Prosper. The Association is in the construction phase on a new administrative and lending office in Brenham.

LEGAL PROCEEDINGS

In the ordinary course of business, the Association is involved in various legal proceedings. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the consolidated financial statements of the Association.

DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference from Note 10 to the consolidated financial statements, "Members' Equity," included in this annual report.

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 9, "Note Payable to the Bank," Note 12, "Employee Benefit Plans" and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Notes 2 and 15 to the consolidated financial statements, "Summary of Significant Accounting Policies" and "Commitments and Contingencies," respectively, included in this annual report.

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

The Association's financial condition may be impacted by factors that affect the Farm Credit Bank of Texas (Bank), as discussed in Note 1 to the consolidated financial statements, "Organization, Mergers and Operations," included in this annual report. The financial condition and results of operations of the Bank may materially affect the stockholders' investment in the Association.

The annual and quarterly stockholder reports of the Farm Credit Bank of Texas (Bank) are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, The Ag Agency, P.O. Box 202590, Austin, Texas 78720-2590 or calling (512) 483-9204. Copies of the Bank's annual and quarterly stockholder reports can also be requested by e-mailing *fcb@farmcreditbank.com*. The annual and quarterly stockholder reports 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 will be available approximately 40 days after quarter end and can be obtained by writing to Texas Farm Credit Services, P.O. Box 711, Robstown, Texas 78380 or calling (361) 387-8563. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *kibrom@texasfcs.com* or are available on the Association's website *www.texasfcs.com*. The Association's annual stockholder report is available on its website 75 days after the fiscal year end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year end.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2018, required to be disclosed, is incorporated herein by reference to the "Five-Year Summary of Selected Consolidated Financial Data" included in this annual report to stockholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Management's Discussion and Analysis," which precedes the consolidated financial statements in this annual report, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS

The Association's member-elected and director-elected board of directors and senior officers are as follows:

NAME	POSITION	DATE ELECTED/ EMPLOYED	TERM EXPIRES
Thomas Barker	Director	2012	2021
Jerry Chappell	Director	2013	2019
Bob Christophersen	Director/Retired	1988	2018
James Dawley	Director-Chairman	2003	2020
Marion Vines Durand	Director-Appointed Stockholder	2012	2021
Jack Harbison, Jr.	Director	1994	2021
David Henneke	Director-Appointed Non-Stockholder	2005	2020
Ralph Hesse	Director/Retired	1995	2019
David N. Hill	Director	2000	2020
Bobby Hobson	Director	2008	2019
Jesse W. Howell	Director/Retired	1982	2018
John Prukop	Director-Vice Chairman	1990	2020
Mark Reus	Director-Appointed Stockholder	2018	2019
Gregory T. Richbourg	Director-Appointed Non-Stockholder	2010	2020
Mark Miller	Chief Executive Officer	1989	---
Keith A. Ibrom	Chief Financial Officer	1999	---
John O'Brien, IV	Chief Credit Officer	2000	---
John Parker	Chief Information Officer	2003	---
Jolene Curtis	Chief Operations Officer	2004	---
Lane Pepper	Chief Risk Officer	2004	---
Joe Valladares	Chief Audit Officer	2005	---
Lori V. Graham	General Counsel	2014	---

A brief statement of the business and employment background of each director and senior officer is provided for informational purposes. Further information on the committees served by each director is disclosed on the Association's website.

Thomas Barker resides in Winona, Texas, and has been the manager of Seven P Ranch, a 1,750 acre registered Simmental operation located near Tyler, Texas for the past nine years.

Jerry Chappell resides in Lyford, Texas, and is a partner in Chappell Farms, a family partnership. They primarily farm cotton and grain. Mr. Chappell serves on the Willacy County Farm Bureau, which is a non-profit organization dedicated to promoting, protecting, and representing the interests of U.S. farmers. He also serves on the Texas Boll Weevil Eradication Lower Rio Grande Valley Steering Committee, which is a liaison between cotton produces of the Lower Rio Grande Valley and the Boll Weevil Eradication Foundation, is a director for the Rio Grande Valley CCA, which promotes conservation of coastal sport fisheries, is a member of the Rio Grande Valley IPM Steering Committee, which promotes the integrated pest management to farmers of the Rio Grande Valley, and is a director for the Appraisal Review Board, which is a decision-making body that issues determinations of statutorily-authorized protests and challenges brought by property owners and taxing units.

Bob Christophersen resides in Bogata, Texas, in Red River County. He operates on approximately 5,000 acres of owned and leased land and currently runs a yearling operation, with his son, consisting of approximately 2,000 head annually. Mr. Christophersen retired from the board effective May 2018.

James Dawley, a resident of the Mexia, Texas, area, was born and raised on a farm/ranch in Honest Ridge, Texas, in Limestone County. He currently runs a 200-head cow-calf operation in Limestone County and owns and operates Sheffield Farm and Ranch Supply in Mexia, Texas. Mr. Dawley is an officer for the Limestone County Farm Bureau, a support organization for agriculture, as well as the secretary/treasurer of the Limestone County Young Farmers, which promotes agriculture in the area.

Marion Vines Durand is a resident of Lufkin, Texas, where she serves as an officer and director of Angelina Ranch and Timber, Inc. and Lufkin Business Park II, Inc. Mrs. Durand is a retired certified public accountant, and is active in several other agricultural sectors, including timber, land management, cattle ranching and farming. Mrs. Durand also serves as a manager of the Dan M Vines Limited Partnership and DMV Interest, LLC.

Jack Harbison, Jr. lives in Hidalgo County where he farms cotton, milo, vegetables and sugarcane. Mr. Harbison is president and director of the Hidalgo and Cameron Counties Irrigation District No. 9 that sells raw irrigation water for over 80,000 acres of farmland and municipalities. He serves as vice chairman for Hidalgo County on the board of directors of the Rio Grande Valley Sugar Growers, Inc., a co-op that grinds sugarcane and produces raw sugar and molasses, and serves as the secretary on the board of directors of Rio Farms, Inc., which is a 20,000-acre research and development farm. He also serves on the board of directors of Queen City Growers Co-op which is a part of Ross Gin Company, Ltd. that gins cotton and sells cottonseed.

David Henneke is the sole proprietor of David P. Henneke-Investment Advisor, providing investment and brokerage services from his office in Alice, Texas. Mr. Henneke has more than 20 years' banking experience and has served on the board of directors since 2005.

Ralph Hesse lives in Uvalde County and is president and manager of Chaparral Feeders, Inc., a custom cattle-feeding operation. Mr. Hesse is a partner in Hesse and Hesse, a cattle partnership, and also owns and manages a row crop farming operation in Uvalde County. He is also a partner in Chaparral Seed Co. that sells corn and milo seed and a director for the board of the Winter Garden Co-op Gin, a cotton gin. Mr. Hesse retired from the board effective July 2018.

David N. Hill resides in Queen City, Texas, in Cass County. He is the owner/operator of Hill Timber & Dozer Service Co. Mr. Hill is also a rancher and is involved in hay production. Mr. Hill owns a 250-head stocker and 500-head mother-cattle operation on 650 acres of owned land and 2,000 acres of leased land. He also performs contract work for site prep replanting, land clearing and timber management. Mr. Hill is a member of the FSA Committee/Board, which is an advisory board made up of local farmers and ranchers.

Bobby Hobson is a resident of Nacogdoches County. He is the owner/operator of a 17-house broiler farm with a 350,000-bird capacity. He also runs a cow-calf operation on 1,000 acres of owned and leased land as well as operates a custom hay bailing business with his brother, Larry Hobson. Mr. Hobson is president of the Douglass ISD School board and serves as chairman on the Nacogdoches County Soil and Water Conservation Board, which manages the quality of water and soil in Nacogdoches County.

Jesse W. Howell lives in Jim Wells County where he has a cattle feedlot operation. He is the president of Jim Wells Company, LLC, which performs management services and investments, serves as president of Jesse W. Howell Cattle, LLC, which is involved in the purchase and sale of cattle, president of Howell Industries, Inc., which is a holding company for a portion of his assets and produces silage, is president of Howell Cattle Co., LP, a cattle feedyard, and is part owner of South Texas Mix, LLC, a liquid feed plant. Mr. Howell serves as an honorary director on the board of the South Texas Property Rights Association, which protects the rights of property owners in South Texas. He also serves as the vice president on the board of directors of the Brush County Groundwater

Conservation District, which preserves and protects the groundwater resources within its boundaries. Mr. Howell retired from the board effective May 2018.

John Prukop lives in Nueces County and has been farming since 1974 in Jim Wells, Kleberg and Nueces counties and farms vegetable and melons in Hidalgo County, Texas. Mr. Prukop serves as chairman of the Kleberg-Kenedy Soil and Water Conservation District, which manages the quality of water and soil in Kleberg and Kenedy counties and is a director on the National Watermelon Promotion Board, whose purpose is to maintain and expand existing markets and develop new markets for fresh watermelon. He is an advisor to the South Texas Property Rights Association, which protects the rights of property owners in South Texas.

Mark Reus lives in Hondo, Texas, where he serves as the managing partner for Reus Grain, LP, a family operation. Reus Grain, LP cleans and processes grains for bagging and bulk delivery to wholesale and retail customers for deer and wildlife feeding.

Gregory T. Richbourg is an equal shareholder in the public accounting firm of Gollob Morgan Peddy PC in Tyler, Texas. Mr. Richbourg previously served as vice president of Richbourg & Associates, PC, CPAs from 1998 to its June 2014 merger with Gollob Morgan Peddy PC. Mr. Richbourg is a certified public accountant and a member of the American Institute and Texas Society of Certified Public Accountants. He currently serves on the boards of directors for several local non-profit organizations, including the Tyler Catholic School Foundation (treasurer), as well as Tyler Friends of the Poor (president) and the East Texas Area Council-Boy Scouts of America (treasurer).

Mark A. Miller has served as chief executive officer since January 2013[1]. Prior to this appointment, Mr. Miller served as executive vice president and chief credit officer. He has been with the organization since March 1989 when he accepted a position as loan officer and since that time has served as branch manager and chief operations officer.

Keith A. Ibrom has served as chief financial officer since 1999[2]. Mr. Ibrom is a certified public accountant. Mr. Ibrom is also a general partner of a family cattle operation in DeWitt County, Texas, and he and his wife also own real estate rental properties as well as a pet boarding and daycare business.

John O'Brien, IV has served as chief credit officer since January 2013[3]. Mr. O'Brien began with Texas AgFinance in 2000, where he served as a loan officer, branch manager, YBS portfolio manager, crop insurance division manager, and manager of association participation loans. Mr. O'Brien is also part owner in Taste Cattle Company, LLC, a cow-calf operation in Refugio and Goliad counties.

John Parker has served as chief information officer since February 2018. Prior to this appointment, Mr. Parker served as senior vice president, IT systems. He has been with the organization since May 2003 when he accepted a position as loan officer, and since that time, Mr. Parker has served as assistant vice president of lending, IT systems analyst, and vice president, IT systems. In addition to his current role with the organization, Mr. Parker also serves as pastor to New Beginning Fellowship, a church located in Sinton, Texas.

Jolene Curtis assumed the role of chief operating officer in January 2016. Ms. Curtis has been with Texas Farm Credit Services since 2004, during which time she served as a loan officer trainee, loan officer, and vice president of operations. In the vice president of operations role, she oversaw the rural home loan program as well as marketing and crop insurance functions. Mrs. Curtis serves as an executive board member and treasurer for the Brenham State Supported Living Center Volunteer Services Council. Along with her husband, she owns Curtis Wildlife and Agricultural Services, LLC that provides wildlife and agricultural consulting services. Ms. Curtis is also a partner in Tandem Partners, LLC, a company that owns rental real estate properties.

Lane Pepper assumed the role of chief risk officer in April 2017. Prior to this appointment, Mr. Pepper served as senior vice president, commercial credit. He has been with the organization since 2004 when he accepted a position as loan officer and since that time has served in various leadership roles within both the credit and finance departments. Mr. Pepper has earned the Chartered Financial Analyst designation. Mr. Pepper serves on the board of the National Rural Lenders Association and as treasurer of the Annapolis Christian Academy Board of Trustees.

---

[1] Mr. Miller was chief executive officer of Texas AgFinance from January 1, 2013 to January 1, 2014 when it merged with AgriLand to become Texas Farm Credit Services.

[2] Mr. Ibrom served as chief financial officer of Texas AgFinance from July 6, 1999 until January 1, 2014 when it merged with AgriLand to become Texas Farm Credit Services.

[3] Mr. O'Brien was chief credit officer of Texas AgFinance from January 1, 2013 to January 1, 2014 when it merged with AgriLand to become Texas Farm Credit Services.

Joe Valladares has served as chief audit officer since January 2017. Prior to this appointment, Mr. Valladares served as internal audit director beginning in 2014. He also served as chief financial officer at another association since 2011 where he provided leadership in finance, accounting, human resources, operations and technology.

Lori V. Graham assumed the role of general counsel in April 2014. Prior to this, Ms. Graham practiced law specializing in insurance defense, real estate, and oil and gas litigation. Ms. Graham serves as the secretary of the Washington County Child Welfare Board, a nonprofit organization created to sponsor public awareness of child abuse prevention and provide support to local CPS and foster families.

COMPENSATION OF DIRECTORS

Elected directors were compensated for their service to the Association in the form of an honorarium at the rate of $650 per day for director meetings and committee meetings, and they were reimbursed for certain expenses incurred while representing the Association in an official capacity. Appointed directors were compensated for their service to the Association in the form of an honorarium at the rate of $750 per day for director meetings and committee meetings, and they were reimbursed for certain expenses incurred while representing the Association in an official capacity. In addition to the honorarium, all directors receive an annual retainer. The chairman of the board receives an $11,000 annual retainer, the chairman of the audit committee receives a $7,000 annual retainer and the remaining directors receive a $6,000 per director annual retainer. Directors are compensated for all conference calls at a rate of $150 per call. Mileage for attending official meetings during 2018 was paid at the IRS-approved rate of 54.5 cents per mile. A copy of the travel policy is available to stockholders of the Association upon request.

	Number of Meetings Served		
Director	**Board Meeting**	**Audit, Compensation and Other Special Meetings**	**2018 Compensation**
Thomas Barker	7	4	$ 15,900
Jerry Chappell	7	9	27,400
Bob Christophersen	4	-	7,800
James Dawley	7	10	37,550
Marion Vines Durand	7	8	17,025
Jack Harbison, Jr.	7	4	13,625
David Henneke	7	10	21,975
Ralph Hesse	2	-	3,900
David N. Hill	5	3	14,600
Bobby Hobson	7	8	18,950
Jesse W. Howell	4	-	6,825
John Prukop	6	7	26,125
Mark Reus	2	1	4,300
Gregory T. Richbourg	5	10	22,750
			$ 238,725

The Association's entire board of directors serve on the compensation committee. Seven directors serve on the audit committee and five directors serve on the governance committee. The Association held a total of seven board of directors meetings, four audit committee meetings, three compensation committee meetings and one governance committee meeting during 2018. This compares to six board of director meetings, four audit committee meetings, three compensation committee meetings and four governance committee meetings in 2017 and eight board of director meetings, nine audit committee meetings, four compensation committee meetings and one governance committee meeting held in 2016.

The aggregate compensation paid to directors in 2018, 2017 and 2016 was $238,725, $238,025 and $218,275, respectively. The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $45,696, $49,174 and $35,678 in 2018, 2017 and 2016, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

The board of directors has established a compensation committee consisting of at least three board members, each of whom shall be free from any relationship that would interfere with the exercise of his or her independent judgment as a committee member as determined by the board of directors. The primary function of the compensation committee is to assist the board in fulfilling its responsibilities with respect to matters involving the compensation of the board and the chief executive officer, to review the compensation policies and plans for senior officers and employees and to approve the overall compensation program for senior officers. A copy of the compensation committee charter is available to the public on the Association's website at www.*texasfcs.com*.

The compensation committee approves the Association's incentive plan annually. The incentive plan is based on the Association meeting certain financial objectives established in the Association's annual Business Plan submitted to the Farm Credit Administration and approved by the board. The incentive plan is based on the Association's fiscal year of operations. The incentive plan requires that the Association meet certain net earnings objectives to ensure adequate capital levels to support predetermined board objectives. The incentive plan also requires that the Association meet pre-established interest rate spread objectives and credit quality objectives. The incentive plan is structured so that an incentive pool of dollars is paid if the incentive plan objectives are met. A staggered incentive pool of dollars is available to employees if objectives are less than fully achieved. There were no material amendments to the incentive plan for 2018.

All employees are eligible to participate in the Association's incentive plan if they were employed on or before July 1 of the fiscal year of that year's incentive plan. Employees must receive a satisfactory performance evaluation to receive incentive payments from that year's incentive plan. If an employee does not receive a satisfactory performance evaluation, their incentive is calculated as if it was to be paid and withheld from distribution. It does not go back into the incentive pool of dollars to be distributed to other participants. Employees with less than five years of service are subject to a vesting schedule for incentive payments. The vesting schedule is based on five years of service. Employees receive a 20 percent vestment percentage for each year of service. Employee payment of prior year's vested incentives is not dependent on the employee receiving a satisfactory performance evaluation for the current year's incentive plan. Undistributed unvested incentives are forfeited if an employee voluntarily or involuntarily terminates employment.

Chief Executive Officer (CEO) Compensation Policy

The CEO's salary is established by the board of directors at the beginning of each fiscal year. The CEO participates in the Association's incentive plan. The CEO bonus is dependent on the Association meeting the financial objectives approved by the compensation committee.

Summary Compensation Table

The following table summarizes the compensation paid to the CEO and all senior officers of the Association during 2018, 2017 and 2016. This may include other non-senior officers if their total compensation is within the top five highest paid employees. Amounts reflected in the table are presented in the year the compensation was earned.

Chief Executive Officer	Year	Salary (b)	Bonus (c)	Total
Mark Miller	**2018**	**$ 390,000**	**$ 145,612**	**$ 535,612**
Mark Miller	2017	$ 365,000	$ 118,701	$ 483,701
Mark Miller	2016	$ 350,000	$ 105,716	$ 455,716
Aggregate Number of Senior Officers & other highly compensated employees (a)	**Year**	**Salary (b)**	**Bonus (c)**	**Total**
4 Officers, 1 Non-Officer	**2018**	**$ 728,910**	**$ 650,910**	**$ 1,379,820**
4 Officers, 1 Non-Officer	2017	$ 702,660	$ 586,095	$ 1,288,755
4 Officers, 1 Non-Officer	2016	$ 625,626	$ 654,550	$ 1,280,176

(a) Aggregate number of senior officers/highly compensated individuals, excluding CEO.
(b) Gross salary, including retention plan compensation for certain senior officers.
(c) Bonuses paid within the first 30 days of the subsequent calendar year.

Disclosure of information on the total compensation paid and the arrangements of the compensation plans during the last fiscal year to any senior officer or to any other officer included in the aggregate are available and will be disclosed to shareholders of the Association upon request.

Pension Benefits Table

Neither the CEO nor any of the highly compensated employees disclosed above in aggregate participate in the Farm Credit Bank of Texas Pension Plan (the “Pension Plan”), which is a qualified defined benefit retirement plan.

Employees assigned Association vehicles are given the option to drive a company-owned vehicle or receive a compatible auto allowance to purchase a personal vehicle. Employees opting for the auto allowance are liable for all payroll taxes. The auto allowance is exempt from 401(k) matching and is not included in any incentive calculations. Employees who drive company-owned vehicles have personal miles reported to the IRS as fringe benefits that are considered additional taxable income to the employee. Employees who use their personal automobiles for business purposes were reimbursed during 2018 at the IRS-approved rate of 54.5 cents per mile.

Neither the CEO nor any other senior officer received noncash compensation exceeding $5,000 in 2018, 2017 and 2016.

Senior officers, including the CEO, are reimbursed for reasonable travel, subsistence and other related expenses while conducting Association business. A copy of the Association’s travel policy is available to shareholders upon request.

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

The Association’s policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 13 to the consolidated financial statements, “Related Party Transactions,” included in this annual report.

DIRECTORS’ AND SENIOR OFFICERS’ INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Association has no senior officers or directors with any involvement in certain legal proceedings as described in FCA §620.6(f).

RELATIONSHIP WITH INDEPENDENT AUDITOR

No change in auditors has taken place since the last annual report to stockholders and no disagreements with auditors has occurred that the Association is required to report to the Farm Credit Administration under part 621 of the FCA regulations governing this disclosure. The fees paid in 2018 for professional audit services rendered for the Association by the independent auditors, PricewaterhouseCoopers LLP, were $91,786. The fees paid in 2018 for professional tax services rendered for the Association by the independent auditors, PricewaterhouseCoopers LLP, were $13,800. The fees paid in 2018 for non-audit services rendered for the Association by the independent auditors, PricewaterhouseCoopers LLP, were $900.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The Association organized an unincorporated business entity (UBE) to help manage properties acquired through collateral on defaulted participated loans. The Association and the participants in the loans, which include the Bank and two other Farm Credit lenders, formed MB BP Properties Joint Venture, LLC in 2011 for the purpose of managing the operations of two surrendered properties. The ownership in the UBE was based on each participant’s percentage ownership in the surrendered properties. The Association’s ownership percentage in the UBE is 5.35 percent. Both properties were sold during 2014. The UBE remained active during 2016 to resolve several minor outstanding expenses. All UBE activities were finalized in 2016 and the UBE was dissolved in 2017.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 13, 2019, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

Members' nonpublic personal financial information is protected by Farm Credit Administration regulation. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the Association or its members.

CREDIT AND SERVICES TO YOUNG, BEGINNING AND SMALL FARMERS AND RANCHERS, AND PRODUCERS OR HARVESTERS OF AQUATIC PRODUCTS

The Association has established a policy related to providing credit and services to young, beginning, and small (YBS) farmers and ranchers. "Young" farmers and ranchers are defined as producers whose age is 35 years or younger as of the loan's transaction date. "Beginning" farmers and ranchers are producers that have 10 years or less of farming or ranching experience as of the loan transaction date. A producer is considered a "Small" farmer and rancher if they normally generate $250,000 or less in annual gross sales of agricultural products.

The Association's YBS definitions differ slightly from those used by the United States Department of Agriculture (USDA). USDA defines a "young" farmer and rancher as a producer under the age of 35. USDA defines a "beginning" farmer and rancher as a producer with less than 10 years of farming or ranching experience.

The Association created a YBS mission statement to help guide its efforts. The mission statement is as follows:

> "Texas Farm Credit Services is committed to attracting, growing, and retaining the YBS volume in its territory. The aging demographic in its service area has made YBS lending a top priority for maintaining the long-term viability of the Association."

The Association is committed to cooperating with all farm credit institutions, state and federal agencies, such as the USDA and Small Business Administration, commercial lending institutions, and all other guarantors or cosigners to benefit young, beginning and small producers. It has committed staff and financial resources to the development and execution of its YBS program.

Each year the Association establishes objectives related to its YBS program. The objectives are approved by the board of directors and are included in the Association's strategic plan. The following table summarizes the Association's 2018 objectives compared to actual results.

YBS Program - New Loan Volume	**2018 Goal**	**2018 Result**
Young farmers and ranchers	$ 60,000,000	$ 86,466,000
Beginning farmers and ranchers	$ 170,000,000	$ 233,187,000
Small farmers and ranchers	$ 180,000,000	$ 251,866,000

YBS Program - Percentage of New Loan Volume	**2018 Goal**	**2018 Result**
Young farmers and ranchers	15.0%	16.1%
Beginning farmers and ranchers	35.0%	46.2%
Small farmers and ranchers	50.0%	59.9%

YBS Program - Number of New Loans	**2018 Goal**	**2018 Result**
Young farmers and ranchers	175	214
Beginning farmers and ranchers	400	616
Small farmers and ranchers	550	798

The board of directors remains committed to the YBS program. It has committed staff and financial resources to the development and execution of its YBS program. The 2019 objectives that were approved by the board of directors and included in the Association's strategic plan are summarized in the following table.

YBS Program - Number of Loans	2019 Goal
Young farmers and ranchers	756
Beginning farmers and ranchers	2,285
Small farmers and ranchers	2,981

YBS Program - Percentage of Total Number of Loans	Total Loans
Young farmers and ranchers	17.3%
Beginning farmers and ranchers	52.6%
Small farmers and ranchers	68.5%

YBS Program - Combined Segments	Total Loans
% of Total Number of Loans	75.1%
% of Total Volume of Loans	57.6%

The following tables represent YBS demographics for the State of Texas, the Association's territory and the Association. The YBS demographics for the State of Texas and the Association's territory are based on the USDA-NASS 2012 Census, the latest data available. The Association's YBS data is based on 2018 data.

YBS Program - State of Texas	Total	Number	Percentage of Total
Agricultural producers in Texas	248,809		
Young farmers and ranchers in Texas		10,091	4.1%
Beginning farmers and ranchers in Texas		65,547	26.3%
Small farmers and ranchers in Texas		238,454	95.8%

YBS Program - Association's Territory	Total	Number	Percentage of Total
Agricultural producers in Association's territory	123,739		
Young farmers and ranchers in territory		9,694	7.8%
Beginning farmers and ranchers in territory		36,624	29.6%
Small farmers and ranchers in territory		121,255	98.0%

YBS Program - Association	Total	Number	Percentage of Total
Agricultural producer's loans in the Association	4,133		
Young farmers and ranchers loans in the Association		712	17.2%
Beginning farmers and ranchers loans in the Association		2,173	52.6%
Small farmers and ranchers loans in the Association		2,856	69.1%

AGRICULTURE LENDING

- Cow-Calf, Stocker and Feedlot Operations
- Crop Operations
- Planting and Harvesting Expenses
- Timber Operations
- Nurseries

RURAL REAL ESTATE FINANCING

- Farms and Ranches
- Recreational Property
- Hunting Ranches
- Property Improvements

INSURANCE SERVICES

- Crop Insurance
- Pasture, Rangeland and Forage (PRF) Insurance
- Annual Forage Insurance
- Life Insurance
- Livestock Risk Protection (LRP) Insurance

HOME MORTGAGES

Offering these home loan programs:

- Rural Home Program
- Rural Home Jumbo Program
- Conventional Program
- Conventional Jumbo Program
- Portfolio Loans
- FHA Program

Certain conditions may apply. Texas Farm Credit is an Equal Housing Lender. As prohibited by federal law, we do not engage in business practices that discriminate on the basis of race, color, religion, national origin, sex, marital status or age (provided you have the capacity to enter into a binding contract), because all or part of your income may be derived from a public assistance program, or because you have, in good faith, exercised any right under the Consumer Credit Protection Act. The federal agency that administers our compliance with these federal laws is the Federal Trade Commission, Equal Credit Opportunity, Washington, DC, 20580. The Texas Farm Credit National Mortgage Licensing System number is 962054. For more information visit www.texasfcs.com

EQUAL HOUSING LENDER

Texas Farm Credit Services
545 S. Highway 77
Robstown, TX 78380

ADDRESS SERVICE REQUESTED

PRSRT STD
US POSTAGE
PAID
AUSTIN TEXAS
PERMIT #1845

Texas Farm Credit offers loans and related services for recreational property, rural homes, farms and ranches, insurance services and hunting ranches.

TEXAS FARM CREDIT

TexasFarmCredit.com | 800.950.8563