Farm Credit Illinois, ACA

Quarterly Report
June 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Illinois, ACA and its subsidiaries, Farm Credit Illinois, FLCA and Farm Credit Illinois, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2019 (2019 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (AgriBank), the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of AgriBank financial reports or additional copies of our report, contact us at:

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FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2019 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

During the first half of 2020, COVID-19 caused massive shutdowns of large segments of the economy leading to record unemployment and underemployment. The impact to the agricultural sector has been dramatically altered by demand for food and food products and major disruptions in the food supply chain. As states have begun reopening, the economy has shown positive signs with a record 4.8 million jobs added in June bringing the total to 7.5 million jobs over the past two months. That said, with a spike in positive COVID-19 cases reported at the end of the second quarter, the challenge is to maintain an economic recovery while trying to control and mitigate the spread of infections. The University of Missouri's Food and Agricultural Policy Research Institute estimates that the economic slowdown caused by the coronavirus will pull farm income down by 3% and federal support would amount to 36% of farm income, the largest share since 2001. The United States Department of Agriculture (USDA) Secretary Sonny Perdue said he expects more money will be needed. Congress will likely approve another multibillion dollar package in the third quarter as part of the next aid plan.

The spring planting season was very cool early. With subsequent warmer weather came above average precipitation. Areal flooding was an issue, particularly in southern counties, and some re-plant was required. As the second quarter ended, much of the Midwest was experiencing high temperatures and humidity with heat indices nearing 110 degrees. As of the June 29, 2020, USDA-National Agricultural Statistics Services report, 67% of Illinois corn was rated good-excellent compared to 42% in 2019. Soybeans were rated 68% good-excellent, up from 44% a year ago. The 2020 good-excellent ratings remain well below 5-year average ratings.

On June 29, 2020, December corn futures closed at $3.35 per bushel. In February, the settlement prices of the December contract averaged $3.88 per bushel, which represents the projected price for crop insurance products sold in Midwest states. Prices increased in early June but settled at the May average. Corn prices had declined 14% from February due in large part to impacts associated with COVID-19. This represents the largest decline during the February-May period within the 1985-2020 timeframe. A positive for the corn market is ethanol production which continues to rebound with production at its highest level in more than three months. At the same time, ethanol stocks fell to their lowest level since January, 2017. November soybeans closed the second quarter at $8.61 per bushel. This compares to the February average of $9.17 per bushel, again serving as the projected price for crop insurance contracts. Prices rose in early June but declined towards the end of the month closing only $0.10 per bushel higher than the $8.51 May average.

The June 30, 2020, USDA Planted Acreage report estimates corn acres will be up only 3%, which was well below trade estimates. The June 30 USDA Grain Stocks report shows corn in all positions at 5.22 billion bushels, up less than 1% from June 1, 2019, but much higher than expectations. Soybean acres are estimated up 10% over 2019. While soybean planted area was up slightly from March, the increase was much smaller than what the trade had expected. Soybean stocks in all positions as of June 1 totaled 1.39 billion bushels, down 22% from June 1 of last year. Even slight changes in USDA estimated production will be enough for new-crop soybeans to build a weather premium. With surprisingly low corn and soybean acreage estimates, all eyes will be on July weather with expectations for a warmer and dryer month.

The United State-Mexico-Canada Agreement went into effect at the beginning of the third quarter, officially replacing the North American Free Trade Agreement. The White House expects agricultural exports to increase $2.2 billion under the new agreement.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $4.4 billion at June 30, 2020, an increase of $117.7 million from December 31, 2019. The increase was primarily due to growth in the real estate mortgage portfolio, partially offset by a decrease in production and intermediate-term loans.

The U.S. government has instituted various programs in support of the COVID-19 economic recovery. In early 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Among other provisions, the CARES Act and congressional approval made available for small businesses approximately $660.0 billion under the Paycheck Protection Program (PPP), which is a guaranteed loan program administered by the U.S. Small Business Administration (SBA). We obtained approval from the SBA in April 2020 to participate as a lender in the PPP. Loan applicants with 500 or fewer employees or who fit within the revenue-based size standard and who are eligible to receive financing under the Farm Credit Act and the Farm Credit Administration (FCA) Regulations are able to borrow from our association under this program. The PPP provides for loan forgiveness under limited circumstances and loan payments can be deferred up to six months. Since beginning the program, we have successfully processed $10.9 million in PPP loans for customers with primarily production and intermediate-term type loans. To date, no loans have been forgiven and nearly all payments have been deferred.

Beginning March 2020, we implemented a loan modification program for borrowers with acceptable credit quality who have experienced financial difficulty related to COVID-19, which after proper approval, allows for payment deferral up to 12 months or updated amortization of payments without extension of maturity. We have estimated that $60.0 million to $102.0 million of outstanding principal may be impacted by our loan modification program. Total loan modifications due to pandemic servicing were insignificant for the six months ended June 30, 2020.

Portfolio Credit Quality

The credit quality of our portfolio remained stable from December 31, 2019. Adversely classified loans decreased to 2.3% of the portfolio at June 30, 2020, from 2.6% of the portfolio at December 31, 2019. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards.

While overall credit quality remains strong, the impact of the global pandemic disruption to many agricultural industries, and with commodity prices expected to remain at relatively low levels, grower margins may be negatively impacted in 2020. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses. No environmental adjustment to the allowance for loan losses has been made as a result of the pandemic at June 30, 2020.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	**June 30, 2020**	December 31, 2019
Loans:		
Nonaccrual	**$ 3,731**	$ 4,392
Accruing restructured	**38**	40
Accruing loans 90 days or more past due	**217**	2,201
Total risk loans	**3,986**	6,633
Other property owned	**--**	--
Total risk assets	**$ 3,986**	$ 6,633
Total risk loans as a percentage of total loans	**0.1%**	0.2%
Nonaccrual loans as a percentage of total loans	**0.1%**	0.1%
Current nonaccrual loans as a percentage of total nonaccrual loans	**70.5%**	72.2%
Total delinquencies as a percentage of total loans	**0.2%**	0.2%

Note: Accruing loans include accrued interest receivable.

Nonaccrual loans remained at an acceptable level at June 30, 2020, and December 31, 2019.

Our accounting policy requires loans past due 90 days or more to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis, accruing loans 90 days or more past due were eligible to remain in accruing status.

Allowance for Loan Losses

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

Allowance Coverage Ratios

As of:	**June 30, 2020**	December 31, 2019
Allowance as a percentage of:		
Loans	**0.2%**	0.2%
Nonaccrual loans	**237.9%**	198.1%
Total risk loans	**222.7%**	131.1%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at June 30, 2020.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the six months ended June 30,	**2020**	2019
Net income	**$ 43,858**	$ 34,761
Return on average assets	**1.9%**	1.6%
Return on average members' equity	**8.5%**	7.0%

Changes presented in the profitability information chart relate directly to:

- Changes in income discussed in this section
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Funding, Liquidity, and Capital section

Changes in Significant Components of Net Income

(in thousands) For the six months ended June 30,	**2020**	2019	**Increase (decrease) in net income**
Net interest income	**$ 49,293**	$ 46,994	**$ 2,299**
Provision for (reversal of) loan losses	**39**	(43)	**(82)**
Non-interest income	**21,417**	17,548	**3,869**
Non-interest expense	**29,987**	29,060	**(927)**
(Benefit from) provision for income taxes	**(3,174)**	764	**3,938**
Net income	**$ 43,858**	$ 34,761	**$ 9,097**

Net Interest Income

Changes in Net Interest Income

(in thousands) For the six months ended June 30,	**2020 vs 2019**
Changes in volume	**$ 1,959**
Changes in interest rates	**84**
Changes in nonaccrual income and other	**256**
Net change	**$ 2,299**

Non-Interest Income

The change in non-interest income was primarily due to patronage income, fee income, and financially related services income.

Patronage Income: We may receive patronage from AgriBank and other Farm Credit Institutions. Patronage distributions from AgriBank and other Farm Credit Institutions are declared solely at the discretion of each institution's Board of Directors.

Patronage Income

(in thousands) For the six months ended June 30,		**2020**		2019
Wholesale patronage	**$**	**9,542**	$	8,192
Pool program patronage		**3,530**		3,144
AgDirect partnership distribution		**705**		632
Total patronage income	**$**	**13,777**	$	11,968
Form of patronage distributions:				
Cash	**$**	**13,777**	$	6,838
Stock		**--**		5,130
Total patronage income	**$**	**13,777**	$	11,968

The increase in patronage income was primarily due to an increase in wholesale patronage, which is largely a result of a higher patronage rate for the first six months of 2020 compared to the same period of 2019.

Fee Income: The increase in fee income was primarily due to origination fees, prepayment penalty fees, and PPP loan program fees, which were offset by fees paid to AgriBank.

Financially Related Services Income: The increase in financially related services income was primarily due to crop insurance.

Non-Interest Expense

The change in non-interest expense was primarily related to an increase in salaries and employee benefits expense offset by a reduction in purchased services.

(Benefit from) provision for Income Taxes

The change in (benefit from) provision for income taxes was due to a change in tax laws under the CARES Act, which allows the Association to now carryback net operating losses from 2018 through 2020 to offset net operating gains during periods 2013 through 2015.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable is scheduled to mature on July 31, 2022. The note payable will be renegotiated no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from unallocated surplus. At June 30, 2020, gross loans are funded 81.6% by the direct note and 18.4% by unallocated surplus.

We continue to maintain our primary source of liquidity through our AgriBank line of credit. During recent market volatility, certain adjustments to the cost of our funding of longer term loans was impacted.

The components of cost of funds associated with our note payable include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

We were not subject to a risk premium at June 30, 2020, or December 31, 2019.

Total members' equity increased $44.0 million from December 31, 2019, primarily due to net income for the period. The change in accumulated other comprehensive loss is the amortization impact of prior service cost and unamortized gain/loss related to the Pension Restoration Plan. Refer to Note 10 in our 2019 Annual Report for more information on the Pension Restoration Plan.

The FCA Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 8 in our 2019 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	**June 30, 2020**	December 31, 2019	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**19.2%**	20.0%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**19.2%**	20.0%	6.0%	2.5%	8.5%
Total capital ratio	**19.4%**	20.2%	8.0%	2.5%	10.5%
Permanent capital ratio	**19.3%**	20.1%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**20.2%**	21.4%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**21.7%**	23.0%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments.

OTHER MATTERS

Relationships with Other Farm Credit Institutions

SunStream Business Services: SunStream Business Services (SunStream) was previously a division of AgriBank. Effective April 1, 2020, SunStream is a System service corporation and we will continue to purchase services from SunStream. We purchase various services from SunStream, which include tax reporting services, technology services, and insurance services.

COVID-19

In March 2020, the World Health Organization declared the 2019 outbreak of COVID-19 a pandemic, which continues to spread globally. The extent to which the virus impacts our operations depends on the unpredictable progression of the outbreak, including the longevity and severity of the virus and its continued impact on capital and financial markets. Possible effects may include, but are not limited to, disruption to member cash flows due to threatened global demand, access to funding markets impacting liquidity, and employee absenteeism.

Despite volatility and uncertainty in the market, we have weathered the significant initial challenges presented by the current operating environment. We continue to operate by using a work-from-home structure with a limited number of staff on-site. Our lobbies reopened to members on June 1. Our business continuity response has allowed us to continue to serve our mission and the remote work environment has allowed us to continue to maintain the health of our employees and operate without loss of key functions due to illness. We have not had any significant changes to internal controls over financial reporting due to working remotely or due to limited staff.

CERTIFICATION

The undersigned have reviewed the June 30, 2020, Quarterly Report of Farm Credit Illinois, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Eric J. Mosbey
Chairperson of the Board
Farm Credit Illinois, ACA

Kelly D. Loschen
Chief Financial Officer
Farm Credit Illinois, ACA

Aaron S. Johnson
President and Chief Executive Officer
Farm Credit Illinois, ACA

August 7, 2020

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Illinois, ACA
(in thousands)
(Unaudited)

As of:		June 30, 2020		December 31, 2019
ASSETS				
Loans	**$**	**4,404,070**	$	4,286,417
Allowance for loan losses		**8,876**		8,699
Net loans		**4,395,194**		4,277,718
Investment in AgriBank, FCB		**122,452**		118,610
Investment securities		**53,223**		9,559
Accrued interest receivable		**44,956**		56,687
Deferred tax assets, net		**2,057**		--
Other assets		**67,881**		58,953
Total assets	**$**	**4,685,763**	$	4,521,527
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**3,593,647**	$	3,441,433
Accrued interest payable		**16,508**		21,393
Patronage distribution payable		**507**		28,078
Other liabilities		**12,904**		12,409
Total liabilities		**3,623,566**		3,503,313
Contingencies and commitments (Note 5)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**7,534**		7,489
Unallocated surplus		**1,055,712**		1,011,847
Accumulated other comprehensive loss		**(1,049)**		(1,122)
Total members' equity		**1,062,197**		1,018,214
Total liabilities and members' equity	**$**	**4,685,763**	$	4,521,527

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Farm Credit Illinois, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
For the period ended June 30,	**2020**	2019	**2020**	2019
Interest income	**$ 41,598**	$ 46,849	**$ 86,508**	$ 92,640
Interest expense	**16,508**	23,056	**37,215**	45,646
Net interest income	**25,090**	23,793	**49,293**	46,994
(Reversal of) provision for loan losses	**(149)**	592	**39**	(43)
Net interest income after (reversal of) provision for loan losses	**25,239**	23,201	**49,254**	47,037
Non-interest income				
Patronage income	**7,082**	7,099	**13,777**	11,968
Financially related services income	**1,986**	1,587	**3,920**	3,177
Fee income	**1,903**	574	**2,198**	1,286
Allocated Insurance Reserve Accounts distribution	**--**	--	**835**	939
Other non-interest income	**453**	60	**687**	178
Total non-interest income	**11,424**	9,320	**21,417**	17,548
Non-interest expense				
Salaries and employee benefits	**8,844**	7,950	**17,451**	15,942
Other operating expense	**6,094**	6,235	**12,536**	13,081
Other non-interest expense	**--**	--	**--**	37
Total non-interest expense	**14,938**	14,185	**29,987**	29,060
Income before income taxes	**21,725**	18,336	**40,684**	35,525
(Benefit from) provision for income taxes	**(3,174)**	114	**(3,174)**	764
Net income	**$ 24,899**	$ 18,222	**$ 43,858**	$ 34,761
Other comprehensive income				
Employee benefit plans activity	**$ 28**	$ 29	**$ 73**	$ 63
Total other comprehensive income	**28**	29	**73**	63
Comprehensive income	**$ 24,927**	$ 18,251	**$ 43,931**	$ 34,824

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Illinois, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2018	$ 7,554	$ 964,705	$ (709)	$ 971,550
Net income	--	34,761	--	34,761
Other comprehensive income	--	--	63	63
Unallocated surplus designated for patronage distributions	--	(60)	--	(60)
Capital stock and participation certificates issued	240	--	--	240
Capital stock and participation certificates retired	(313)	--	--	(313)
Balance at June 30, 2019	$ 7,481	$ 999,406	$ (646)	$ 1,006,241
Balance at December 31, 2019	$ 7,489	$ 1,011,847	$ (1,122)	$ 1,018,214
Net income	**--**	**43,858**	**--**	**43,858**
Other comprehensive income	**--**	**--**	**73**	**73**
Unallocated surplus designated for patronage distributions	**--**	**7**	**--**	**7**
Capital stock and participation certificates issued	**349**	**--**	**--**	**349**
Capital stock and participation certificates retired	**(304)**	**--**	**--**	**(304)**
Balance at June 30, 2020	**$ 7,534**	**$ 1,055,712**	**$ (1,049)**	**$ 1,062,197**

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim Consolidated Statements of Condition and Consolidated Statements of Comprehensive Income. Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the six months ended June 30, 2020, are not necessarily indicative of the results to be expected for the year ending December 31, 2020. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2019 (2019 Annual Report).

Certain amounts in prior periods' financial statements have been reclassified to conform to the current period's presentation.

The Consolidated Financial Statements present the consolidated financial results of Farm Credit Illinois, ACA and its subsidiaries Farm Credit Illinois, FLCA and Farm Credit Illinois, PCA. All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standards to be applicable to our business. While we are a nonpublic entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements in alignment with other System institutions.

Standard and effective date	Description	Adoption status and financial statement impact
In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13 "Financial Instruments - Credit Losses." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amends the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	We do not expect to early adopt the standard. We have reviewed the accounting standard, selected and substantially completed development and testing of our system, and are in the process of drafting disclosures. Significant implementation matters yet to be addressed include drafting of accounting policies and designing processes and controls. We are currently unable to estimate the impact on our financial statements.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	**June 30, 2020**			December 31, 2019		
		Amount	%		Amount	%
Real estate mortgage	**$**	**2,558,570**	**58.1%**	$	2,489,082	58.1%
Production and intermediate-term		**676,474**	**15.4%**		706,237	16.5%
Agribusiness		**869,235**	**19.7%**		815,280	19.0%
Other		**299,791**	**6.8%**		275,818	6.4%
Total	**$**	**4,404,070**	**100.0%**	$	4,286,417	100.0%

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

Delinquency

Aging Analysis of Loans

(in thousands) **As of June 30, 2020**		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		Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$**	**4,950**	**$**	**473**	**$**	**5,423**	**$**	**2,586,446**	**$**	**2,591,869**	**$**	**--**
Production and intermediate-term		**3,663**		**795**		**4,458**		**680,160**		**684,618**		**217**
Agribusiness		**1,077**		**--**		**1,077**		**871,107**		**872,184**		**--**
Other		**--**		**--**		**--**		**300,030**		**300,030**		**--**
Total	**$**	**9,690**	**$**	**1,268**	**$**	**10,958**	**$**	**4,437,743**	**$**	**4,448,701**	**$**	**217**

As of December 31, 2019		30-89 Days Past Due		90 Days or More Past Due		Total Past Due		Not Past Due or Less than 30 Days Past Due		Total		Accruing Loans 90 Days or More Past Due
Real estate mortgage	$	3,573	$	2,958	$	6,531	$	2,521,712	$	2,528,243	$	2,201
Production and intermediate-term		431		409		840		719,328		720,168		--
Agribusiness		--		17		17		818,374		818,391		--
Other		--		--		--		276,263		276,263		--
Total	$	4,004	$	3,384	$	7,388	$	4,335,677	$	4,343,065	$	2,201

Note: Accruing loans include accrued interest receivable.

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

Risk Loan Information

(in thousands) As of:		**June 30, 2020**		December 31, 2019
Volume with specific allowance	**$**	**288**	$	104
Volume without specific allowance		**3,698**		6,529
Total risk loans	**$**	**3,986**	$	6,633
Total specific allowance	**$**	**288**	$	104
For the six months ended June 30,		**2020**		2019
Income on accrual risk loans	**$**	**35**	$	9
Income on nonaccrual loans		**396**		140
Total income on risk loans	**$**	**431**	$	149
Average risk loans	**$**	**5,387**	$	7,789

Note: Accruing loans include accrued interest receivable.

We had no commitments to lend additional money to borrowers whose loans were classified as risk loans at June 30, 2020.

Troubled Debt Restructurings (TDRs)

In situations where, for economic or legal reasons related to the borrower’s financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a restructured loan. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as TDRs are considered risk loans. All risk loans are analyzed within our allowance for loan losses. We record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral.

There were no TDRs that occurred during the six months ended June 30, 2020, or 2019. In addition, there were no TDRs that defaulted during the six months ended June 30, 2020, or 2019 in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding in the Production and Intermediate-Term Loan Category

(in thousands) As of:		**June 30, 2020**		December 31, 2019
TDRs in accrual status	**$**	**38**	$	40
TDRs in nonaccrual status		**7**		10
Total TDRs	**$**	**45**	$	50

There were no commitments to lend to borrowers whose loans have been modified in a TDR at June 30, 2020.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) Six months ended June 30,		**2020**		2019
Balance at beginning of period	**$**	**8,699**	$	8,798
Provision for (reversal of) loan losses		**39**		(43)
Loan recoveries		**140**		16
Loan charge-offs		**(2)**		--
Balance at end of period	**$**	**8,876**	$	8,771

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $53.2 million at June 30, 2020, and $9.6 million at December 31, 2019. Our investment securities consisted of securities containing loans guaranteed by the Small Business Administration (SBA). All of our investments securities were fully guaranteed by the SBA at June 30, 2020, and December 31, 2019.

The investment securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. No investments within the portfolio were impaired at June 30, 2020, or December 31, 2019.

Additional Investment Securities Information

(dollars in thousands) As of:		**June 30, 2020**		December 31, 2019
Amortized cost	**$**	**53,223**	$	9,559
Unrealized gains		**538**		14
Unrealized losses		**(4)**		(11)
Fair value	**$**	**53,757**	$	9,562
Weighted average yield		**2.0%**		2.1%

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $388 thousand for the six months ended June 30, 2020. We did not have investment income for the six months ended June 30, 2019.

Contractual Maturities of Investment Securities

(in thousands) **As of June 30, 2020**		Amortized Cost
Five to ten years	**$**	**32,360**
More than ten years		**20,863**
Total	**$**	**53,223**

NOTE 4: OTHER INVESTMENTS

We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). Our total commitment is $9.0 million with varying commitment end dates through December 2029. Certain commitments may have an option to extend under certain circumstances. Our investment in the RBICs are recorded in “Other assets” in the Consolidated Statements of Condition, and totaled $1.5 million at June 30, 2020, and $1.0 million at December 31, 2019.

The investments were evaluated for impairment. No investments were impaired at June 30, 2020, or December 31, 2019.

NOTE 5: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

NOTE 6: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 in our 2019 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring or non-recurring basis at June 30, 2020, or December 31, 2019.

NOTE 7: SUBSEQUENT EVENTS

We have evaluated subsequent events through August 7, 2020, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.