Quarterly Report
June 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of FCS Financial, ACA and its subsidiaries, FCS Financial, FLCA and FCS Financial, 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

Missouri crop conditions are generally favorable due to stable weather conditions. Per the United States Department of Agriculture Crop Progress and Condition Report for the third week of June, 96% of corn has emerged, with 58% in good condition compared to 26% the previous year; while 89% of soybeans have been planted; which is 26% ahead of the same date last year.

Commodity prices remain low due to an abundant global supply from the U.S., Brazil, Argentina, Ukraine and Russia and demand disruptions from both the global pandemic and political tensions arising out of trade negotiations, including the Phase I Trade Deal with China. Corn growers are predicted to sustain losses due to a record-high supply for a crop whose demand has been muted due to the impact of COVID-19; mainly from a reduction in the demand for biofuels such as ethanol. Soybean growers are also facing challenges from a record supply with questionable export demand dependent on China's willingness to purchase product and the strength of the U.S. Dollar.

Although processing plants are re-opened and almost back to normal capacity, protein sector challenges related to the dip in processing plant capacity and health conditions of workers have created a backlog of animals that must work through an already fragile supply system. Additionally, higher carcass weights from the backlog as well as loss of food service demand from schools, restaurants and entertainment venues has impacted the amount and types of protein desired by consumers as shown by a shift to low-cost protein sources used at home versus higher-value cuts purchased away from home.

The impact of challenging commodity prices and protein sector supply chain disruptions may be somewhat cushioned by an unprecedented level of government intervention through both the CARES Act and the Coronavirus Food Assistance Program (CFAP). To date, approximately $146 million of CFAP funds have been received by Missouri farm operations, primarily in the livestock sector.

Missouri cropland sales are slower than the recent past; although values remain relatively stable; especially cropland with higher quality soil types due to limited supply. Rental rates for cropland are mixed based upon local market conditions, but generally have remained stable to slightly lower. Land that is predominately other than crop tracts (pasture, wood land, recreational tracts) continue to sell at stable or even modestly increased values. The southern portion of the state is experiencing an increase in poultry facility sales and values due to strong demand and limited supply. Land values have not yet been affected by the fallout from COVID-19; although the duration of the pandemic, its impact on the general economy and potential influence on real estate remain uncertain.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $4.6 billion at June 30, 2020, an increase of $199.3 million from December 31, 2019. The increase was primarily due to continued demand for mortgage loans across most segments of the portfolio partially offset by the seasonal decline in our production loan portfolio.

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 March 2020 to participate as a lender in the PPP. Loan applicants meeting the eligibility requirements of this program 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. Since beginning the program, we have successfully processed $9.7 million in PPP loans for customers with production and intermediate-term and agribusiness type loans. To date, no loans have been forgiven and nearly all payments have been deferred as allowed by this program.

Portfolio Credit Quality

The credit quality of our portfolio remained stable from December 31, 2019. Adversely classified loans were 3.3% of the portfolio at June 30, 2020, and December 31, 2019. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

While overall credit quality remains strong, the impact of the global pandemic disruption to many agriculture industries, and the expectation that commodity prices will remain at relatively low levels, grower margins will likely be negatively impacted in 2020. These conditions may result in increases to adverse credit quality and related provision for loan losses.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. At June 30, 2020, $268.3 million of our loans were, to some level, guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	**June 30, 2020**	December 31, 2019
Loans:		
Nonaccrual	**$15,892**	$11,221
Accruing restructured	**1,819**	3,081
Accruing loans 90 days or more past due	**--**	--
Total risk loans	**17,711**	14,302
Other property owned	**--**	--
Total risk assets	**$17,711**	$14,302
Total risk loans as a percentage of total loans	**0.4%**	0.3%
Nonaccrual loans as a percentage of total loans	**0.3%**	0.3%
Current nonaccrual loans as a percentage of total nonaccrual loans	**62.8%**	88.8%
Total delinquencies as a percentage of total loans	**0.3%**	0.2%

Note: Accruing loans include accrued interest receivable.

Our risk assets have increased from December 31, 2019, but have remained at acceptable levels. Despite the increase in risk assets, total risk loans as a percentage of total loans were well within our established risk management guidelines.

The increase in nonaccrual loans was primarily due to the net effect of a few larger loans that transferred to nonaccrual, offset by paydowns and payoffs. Nonaccrual loans remained at an acceptable level at June 30, 2020, and December 31, 2019.

We have implemented a borrower relief program related to the COVID-19 global pandemic. The program is generally for borrowers with acceptable credit quality and who have experienced COVID-19 related financial difficulty. The relief comes in a variety of ways, but most predominantly payment deferral for up to six months. To date, there have not been significant actions taken under this program. However, our program may continue to evolve and is dependent on the prolonged nature of the economic disruption. Lastly, we continue to work with each borrower on a case-by-case basis, which may involve loan restructurings outside the COVID-19 relief program.

Allowance for Loan Losses

The allowance for loan losses is an estimate of inherent losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, 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	**0.4%**	0.4%
Nonaccrual loans	**120.6%**	151.6%
Total risk loans	**108.2%**	119.0%

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	**$42,587**	$40,009
Return on average assets	**1.8%**	1.9%
Return on average members' equity	**9.2%**	9.2%

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	**$53,514**	$52,177	**$1,337**
Provision for loan losses	**2,000**	--	**(2,000)**
Non-interest income	**16,252**	12,680	**3,572**
Non-interest expense	**24,880**	24,803	**(77)**
Provision for income taxes	**299**	45	**(254)**
Net income	**$42,587**	**$40,009**	**$2,578**

Net Interest Income

Changes in Net Interest Income

(in thousands) For the six months ended June 30,	2020 vs 2019
Changes in volume	**$3,694**
Changes in interest rates	**(2,476)**
Changes in nonaccrual income and other	**119**
Net change	**$1,337**

Provision for Loan Losses

The change in the provision for loan losses was related to our estimate of losses in our portfolio for the applicable years.

Non-Interest Income

The change in non-interest income was primarily due to patronage income and fee 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	**$9,990**	$8,399
Pool program patronage	**1,214**	1,049
AgDirect partnership distribution	**623**	534
Total patronage income	**$11,827**	$9,982
Form of patronage distributions:		
Cash	**$11,827**	$4,726
Stock	**--**	5,256
Total patronage income	**$11,827**	$9,982

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 December 31, 2021. 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 equity.

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 $27.8 million from December 31, 2019, primarily due to net income for the period partially offset by patronage distribution accruals.

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 7 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	**17.3%**	18.0%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**17.3%**	18.0%	6.0%	2.5%	8.5%
Total capital ratio	**17.7%**	18.4%	8.0%	2.5%	10.5%
Permanent capital ratio	**17.4%**	18.1%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**18.2%**	19.1%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**18.9%**	19.8%	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 are a partial owner and continue to purchase services from SunStream. We purchase various services from SunStream, which include financial and retail systems, tax reporting services, technology services, and insurance services. Our entire investment in SunStream was called on April 1, 2020, at which time $1.0 million was paid in cash and the remainder is due in January 2021. As of June 30, 2020, our investment in SunStream was $1.9 million.

COVID-19

The spread of COVID-19 has created a global public-health crisis that has stifled the world-wide economy, decreased liquidity in fixed income and equity markets, significantly increased unemployment levels and disrupted global supply and demand chains. Unprecedented actions are being taken by governments, businesses and individuals to slow or contain the spread of COVID-19, including quarantines, stay-at-home orders, school closings and travel bans that have substantially restricted daily activities and forced many businesses to curtail or cease operations. The impact of COVID-19 on companies is evolving rapidly and its future effects are uncertain.

The extent to which the COVID-19 pandemic impacts the Association will depend on future developments that are highly uncertain and cannot be predicted such as the duration, extent and severity of the pandemic, the continued response by the U.S. government and how quickly "normal" daily activities resume.

Despite volatility and uncertainty in the market, we have weathered the significant initial challenges presented by the current operating environment and operations of our Association are functioning. Our business continuity response has allowed us to continue to serve our mission and the ability to work remotely as needed 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 FCS Financial, 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.

Kenneth Bergmann
Chairperson of the Board
FCS Financial, ACA

David D. Janish
Chief Executive Officer
FCS Financial, ACA

Starla Harper
Chief Financial Officer
FCS Financial, ACA

August 7, 2020

CONSOLIDATED STATEMENTS OF CONDITION

FCS Financial, ACA

(in thousands)

(Unaudited)

As of:	**June 30, 2020**	December 31, 2019
ASSETS		
Loans	**$4,563,850**	$4,364,514
Allowance for loan losses	**19,165**	17,013
Net loans	**4,544,685**	4,347,501
Investment in AgriBank, FCB	**106,711**	98,909
Accrued interest receivable	**45,284**	49,869
Deferred tax assets, net	**254**	553
Other assets	**72,075**	65,380
Total assets	**$4,769,009**	$4,562,212
LIABILITIES		
Note payable to AgriBank, FCB	**$3,776,106**	$3,577,406
Accrued interest payable	**19,259**	23,294
Patronage distribution payable	**14,750**	27,510
Other liabilities	**17,451**	20,399
Total liabilities	**3,827,566**	3,648,609
Contingencies and commitments (Note 4)		
MEMBERS' EQUITY		
Protected members' equity	**6**	6
Capital stock and participation certificates	**11,901**	11,901
Unallocated surplus	**929,536**	901,696
Total members' equity	**941,443**	913,603
Total liabilities and members' equity	**$4,769,009**	$4,562,212

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

CONSOLIDATED STATEMENTS OF INCOME

FCS Financial, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
For the period ended June 30,	**2020**	2019	**2020**	2019
Interest income	**$45,978**	$50,514	**$95,636**	$99,679
Interest expense	**19,259**	24,306	**42,122**	47,502
Net interest income	**26,719**	26,208	**53,514**	52,177
Provision for loan losses	**2,000**	--	**2,000**	--
Net interest income after provision for loan losses	**24,719**	26,208	**51,514**	52,177
Non-interest income				
Patronage income	**6,327**	6,384	**11,827**	9,982
Financially related services income	**113**	73	**350**	353
Fee income	**2,038**	636	**2,899**	1,292
Allocated Insurance Reserve Accounts distribution	**--**	--	**860**	879
Other non-interest income	**23**	17	**316**	174
Total non-interest income	**8,501**	7,110	**16,252**	12,680
Non-interest expense				
Salaries and employee benefits	**7,528**	7,017	**14,752**	14,809
Other operating expense	**4,908**	4,980	**10,125**	9,993
Other non-interest expense	**3**	1	**3**	1
Total non-interest expense	**12,439**	11,998	**24,880**	24,803
Income before income taxes	**20,781**	21,320	**42,886**	40,054
Provision for (benefit from) income taxes	**105**	(77)	**299**	45
Net income	**$20,676**	$21,397	**$42,587**	$40,009

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

FCS Financial, ACA
(in thousands)
(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2018	$8	$11,933	$847,234	$859,175
Net income	--	--	40,009	40,009
Unallocated surplus designated for patronage distributions	--	--	(12,747)	(12,747)
Capital stock and participation certificates issued	--	500	--	500
Capital stock and participation certificates retired	(1)	(533)	--	(534)
Balance at June 30, 2019	$7	$11,900	$874,496	$886,403
Balance at December 31, 2019	$6	$11,901	$901,696	$913,603
Net income	**--**	**--**	**42,587**	**42,587**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(14,747)**	**(14,747)**
Capital stock and participation certificates issued	**--**	**570**	**--**	**570**
Capital stock and participation certificates retired	**--**	**(570)**	**--**	**(570)**
Balance at June 30, 2020	**$6**	**$11,901**	**$929,536**	**$941,443**

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 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.

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 FCS Financial, ACA, and its subsidiaries FCS Financial, FLCA and FCS Financial, 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	**$2,692,542**	**59.0%**	$2,586,551	59.3%
Production and intermediate-term	**653,194**	**14.3%**	666,736	15.3%
Agribusiness	**915,189**	**20.1%**	835,355	19.1%
Other	**302,925**	**6.6%**	275,872	6.3%
Total	**$4,563,850**	**100.0%**	$4,364,514	100.0%

The Other category is primarily composed of rural infrastructure related loans and other diversified industries in our capital markets portfolio.

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
Real estate mortgage	**$5,401**	**$686**	**$6,087**	**$2,717,303**	**$2,723,390**
Production and intermediate-term	**1,970**	**2,406**	**4,376**	**659,560**	**663,936**
Agribusiness	**13**	**1,929**	**1,942**	**916,561**	**918,503**
Other	**--**	**--**	**--**	**303,305**	**303,305**
Total	**$7,384**	**$5,021**	**$12,405**	**$4,596,729**	**$4,609,134**

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
Real estate mortgage	$4,300	$23	$4,323	$2,615,207	$2,619,530
Production and intermediate-term	2,106	929	3,035	676,548	679,583
Agribusiness	--	17	17	838,934	838,951
Other	--	--	--	276,319	276,319
Total	$6,406	$969	$7,375	$4,407,008	$4,414,383

Note: Accruing loans include accrued interest receivable.

There were no loans 90 days or more past due and still accruing interest at June 30, 2020, or December 31, 2019.

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	**$3,510**	$2,280
Volume without specific allowance	**14,201**	12,022
Total risk loans	**$17,711**	$14,302
Total specific allowance	**$2,004**	$705
For the six months ended June 30,	**2020**	2019
Income on accrual risk loans	**$65**	$32
Income on nonaccrual loans	**331**	212
Total income on risk loans	**$396**	$244
Average risk loans	**$17,375**	$9,711

Note: Accruing loans include accrued interest receivable.

We had no material 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.

TDR Activity

(in thousands) Six months ended June 30,	**2020**		2019	
	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	**$200**	**$200**	$ --	$ --
Production and intermediate-term	**221**	**221**	--	--
Total	**$421**	**$421**	$ --	$ --

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

The primary type of modification included deferral of principal.

We had TDRs in the agribusiness loan category of $1.9 million that defaulted during the six months ended June 30, 2020, in which the modifications were within twelve months of the respective reporting period. There were no TDRs that defaulted during the six months ended June 30, 2019, in which the modification was within twelve months of the reporting period.

TDRs Outstanding

(in thousands) As of:	**June 30, 2020**	December 31, 2019
Accrual status:		
Real estate mortgage	**$1,171**	$738
Production and intermediate-term	**648**	395
Agribusiness	**--**	1,948
Total TDRs in accrual status	**$1,819**	$3,081
Nonaccrual status:		
Real estate mortgage	**$2,844**	$3,246
Production and intermediate-term	**1,576**	2,578
Agribusiness	**1,967**	42
Total TDRs in nonaccrual status	**$6,387**	$5,866
Total TDRs:		
Real estate mortgage	**$4,015**	$3,984
Production and intermediate-term	**2,224**	2,973
Agribusiness	**1,967**	1,990
Total TDRs	**$8,206**	$8,947

There were no material 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	**$ 17,013**	$ 15,966
Provision for loan losses	**2,000**	--
Loan recoveries	**217**	138
Loan charge-offs	**(65)**	(315)
Balance at end of period	**$ 19,165**	$ 15,789

NOTE 3: OTHER INVESTMENTS

We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). Our total commitment is $10.0 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 $2.7 million at June 30, 2020, and $2.2 million at December 31, 2019.

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

NOTE 4: 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 5: 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 basis at June 30, 2020, or December 31, 2019.

Non-Recurring

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-recurring Basis

(in thousands)

As of June 30, 2020	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	**$ --**	**$ --**	**$1,581**	**$1,581**

As of December 31, 2019	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$1,654	$1,654

Valuation Techniques

Impaired loans: Represents the carrying amount of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they are classified as Level 3.

NOTE 6: 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.