Farm Credit Southeast Missouri, 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 Southeast Missouri, ACA and its subsidiaries, Farm Credit Southeast Missouri, FLCA and Farm Credit Southeast Missouri, 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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NOTICE OF SIGNIFICANT OR MATERIAL EVENTS

On August 1, 2020, Greg Cunningham became President and CEO of Farm Credit Southeast Missouri. Former President and CEO, Robert Smith, transitioned to an honorary role of CEO Emeritus, serving as an advisor and consultant to Mr. Cunningham until Mr. Smith's anticipated retirement date of October 31, 2020.

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

Land Values: The average benchmark farm land value change in 2019 was 0.37%, compared to 1.55% and 0.22% in 2018 and 2017, respectively. The more moderate land value changes the past three years are indicative of lower commodity prices.

Commodity Prices: COVID-19 concerns and related trade issues have continued to suppress grain prices into the second quarter with prices having fallen, on average, approximately 10-15% from prior year end. Management will continue to monitor COVID-19 and potential impacts closely, but do not foresee any repayment issues at this time.

Crop Conditions: The wet conditions we saw in the first quarter continued over into the first half of the second quarter, delaying planting season by a couple of weeks across much of the area. The wet weather lead to some replant acres and/or a transition of acres initially intended for corn, rice, and cotton over to soybeans. However, by late May, the above average rainfall subsided and farmers were able to get back on track. Crops across the area look very good and have potential for strong yields in 2020.

COVID-19: Consumer consumption patterns changed dramatically with stay-at-home orders that were enacted in nearly every state, and many agricultural markets are facing pressure from outside markets. Additionally, the U.S. agricultural industry is facing stress from labor shortages and COVID-19 outbreaks at food processing plants, while exports could be challenged by logistics and the volatility of the U.S. dollar. For row crops, corn is experiencing the most pressure from the COVID-19 outbreak. Roughly forty percent of U.S. corn production is processed into ethanol and distiller's dried grain with solubles, the feed byproduct of ethanol production. The lockdown rapidly reduced automobile traffic and fuel consumption and, in turn, ethanol and corn demand. The drop in fuel demand has resulted in reduced ethanol plant runtimes and plant shutdowns, which have pressured corn prices lower and reduced basis levels in the Corn Belt. Demand for soybeans remains highly questionable. The phase one trade deal between the U.S. and China would theoretically have been very supportive for U.S. soybeans, but the COVID-19 outbreak and reduced Chinese hog herd due to African Swine Fever have called into question if China will reach committed levels.

The livestock and animal agricultural sectors have more rapidly experienced the effects of shifts in consumer food spending. Dine-in restaurant sales have declined nearly 100 percent, while drive-thru only sales at many fast food restaurants have reduced that segment's sales significantly as well. Most animal protein and dairy prices have declined considerably as food supply chains rapidly shift away from food service consumption to a high share of grocery store food purchases.

To assist with deteriorating agricultural conditions, nearly $24 billion of aid has already been approved via federal stimulus packages and more aid could be on the way in the future if poor conditions persist; however, at this point, the timing, the level of aid, and the distribution to various agriculture commodities is unknown. Because of all these factors, the outlooks for many commodities have been downgraded on the assumption of unknown government assistance at a level that will likely only partially mitigate losses relative to COVID-19.

In recent years, producers have been adjusting to the normalization of crop prices near the long-run price trends. Optimal input usage, adoption of cost-saving technologies, and effective utilization of hedging and other price risk management strategies are all critical in yielding positive net income for producers. Those who have been most effectively able to realize cost and marketing efficiencies are most likely to weather the current economic environment, but many may still require flexibility from lenders through payment deferrals and other measures to preserve working capital.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $746.2 million at June 30, 2020, an increase of $75.7 million from December 31, 2019. The increase was primarily due to normal seasonal production loan disbursements as well as strong year to date real estate loan growth.

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 $2.1 million in PPP loans for customers with production and intermediate-term type loans. To date, no loans have been forgiven and nearly all payments have been deferred.

Portfolio Credit Quality

The credit quality of our portfolio declined from December 31, 2019. Adversely classified loans increased to 1.9% of the portfolio at June 30, 2020, from 0.4% of the portfolio at 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 with commodity prices expected to 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 credit losses.

In certain circumstances, Federal Agricultural Mortgage Corporation and other government agency guarantee programs are used to reduce the risk of loss. At June 30, 2020, $60.3 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	**$ 1,265**	$ 219
Accruing restructured	**329**	357
Accruing loans 90 days or more past due	**1,939**	--
Total risk loans	**3,533**	576
Other property owned	**--**	--
Total risk assets	**$ 3,533**	$ 576
Total risk loans as a percentage of total loans	**0.5%**	0.1%
Nonaccrual loans as a percentage of total loans	**0.2%**	--
Current nonaccrual loans as a percentage of total nonaccrual loans	**0.5%**	3.7%
Total delinquencies as a percentage of total loans	**0.6%**	0.4%

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 transfer of four local credits to two customers to nonaccrual status during the second quarter. The increase is partially offset by repayment activity on existing nonaccrual loans. Nonaccrual loans remained at an acceptable level at June 30, 2020, and December 31, 2019.

The increase in accruing loans 90 days or more past due was primarily due to three 100% United States Department of Agriculture (USDA) guaranteed loans during the six months ended June 30, 2020. The principal and accrued interest on these loans are guaranteed by the USDA and therefore eligible to remain in accruing status. 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.

The increase in total delinquencies as a percentage of total loans was primarily due to an increase in USDA 100% guaranteed real estate mortgage loans 90 days or more past due as well as an increase in nonaccrual loans 90 days or more past due.

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	**0.1%**	0.1%
Nonaccrual loans	**70.6%**	305.0%
Total risk loans	**25.3%**	116.0%

Allowance for loan losses totaled $893 thousand as of June 30, 2020, an increase of $225 thousand from December 31, 2019. This increase is due to a $180 thousand provision expense to increase the PCA general allowance and a $45 thousand provision expense to increase to FLCA general allowance in response to portfolio probability of default migration and loan growth over 2019.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the six months ended June 30,	**2020**	2019
Net income	**$ 8,112**	$ 7,270
Return on average assets	**2.2%**	2.1%
Return on average members' equity	**9.9%**	9.4%

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	**$ 10,515**	$ 10,131	**$ 384**
Provision for credit losses	**225**	73	**(152)**
Non-interest income	**2,130**	1,687	**443**
Non-interest expense	**4,270**	4,441	**171**
Provision for income taxes	**38**	34	**(4)**
Net income	**$ 8,112**	$ 7,270	**$ 842**

Net Interest Income

Changes in Net Interest Income

(in thousands) For the six months ended June 30,		2020 vs 2019
Changes in volume	$	514
Changes in interest rates		(105)
Changes in nonaccrual income and other		(25)
Net change	$	384

Provision for (Reversal of) Credit Losses

The change in the provision for (reversal of) credit losses was related to our estimate of losses in our portfolio for the applicable years. The provision expense of $225 thousand includes an increase in general reserves primarily in the first quarter of 2020.

Non-Interest Income

The change in non-interest income was primarily due to 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	$	1,543	$	1,320
Pool program patronage		133		--
Total patronage income	$	1,676	$	1,320
Form of patronage distributions:				
Cash	$	1,676	$	503
Stock		--		817
Total patronage income	$	1,676	$	1,320

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. In addition, we began participating in the AgriBank Asset Pool program during the third quarter of 2019. This is a pool program in which we sold participation interests in certain loans to AgriBank. As part of this program, we receive patronage income in an amount that approximates the net earnings of the loans, less certain expenses. Net earnings represents the net interest income associated with these loans adjusted for certain fees and costs specific to the related loans as well as adjustments deemed appropriate by AgriBank related to the credit performance of the loans, as applicable.

Non-Interest Expense

The change in non-interest expense was primarily related to a $287 thousand decrease in employee salaries and benefits, which was partially offset by increases in public and member relation expense and other miscellaneous expense.

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, 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 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 $5.1 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	**20.1%**	20.8%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**20.1%**	20.8%	6.0%	2.5%	8.5%
Total capital ratio	**20.3%**	20.9%	8.0%	2.5%	10.5%
Permanent capital ratio	**20.2%**	20.8%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**20.2%**	20.2%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**20.5%**	20.5%	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 certain 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 $106 thousand was paid in cash and the remainder is due in January 2021. As of June 30, 2020, our investment in SunStream was $190 thousand.

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 current operating environment and operations of our Association are fully functioning. 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.

On March 27, 2020, the CARES Act was passed by Congress and signed into law by the President. The CARES Act made $349 billion in funding available to the SBA to provide relief to business concerns impacted by the COVID-19 pandemic. The association applied for authority to participate in the program. As of June 30, 2020, we have processed $2.1 million in loans under this program.

Our investments are not held for liquidity, but rather as a portfolio diversification tool. Our portfolio is substantially guaranteed by the U.S. government. No investments are anticipated to be other than temporarily impaired at this time.

This outbreak puts the economy and agriculture sector in uncharted territory. The overall impact of COVID-19 on U.S. agriculture will depend on the severity and duration of the outbreak, including a potential reoccurrence later in the year. Overall, agriculture will adjust, providing an “essential service” to the U.S. and global consumer.

CERTIFICATION

The undersigned have reviewed the June 30, 2020, Quarterly Report of Farm Credit Southeast Missouri, 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.

Markel D. Yarbro
Chairperson of the Board
Farm Credit Southeast Missouri, ACA

Gregory M. Cunningham
President / Chief Executive Officer
Farm Credit Southeast Missouri, ACA

Michelle M. Beacham
Executive Vice President / Chief Financial Officer
Farm Credit Southeast Missouri, ACA

August 7, 2020

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Southeast Missouri, ACA
(in thousands)
(Unaudited)

As of:		**June 30, 2020**		December 31, 2019
ASSETS				
Loans	**$**	**746,230**	$	670,541
Allowance for loan losses		**893**		668
Net loans		**745,337**		669,873
Investment in AgriBank, FCB		**15,867**		15,867
Investment securities		**22,382**		24,239
Accrued interest receivable		**11,518**		14,822
Other assets		**9,767**		7,833
Total assets	**$**	**804,871**	$	732,634
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**628,864**	$	557,241
Accrued interest payable		**2,899**		3,901
Deferred tax liabilities, net		**109**		72
Patronage distribution payable		**3,000**		7,250
Other liabilities		**3,140**		2,427
Total liabilities		**638,012**		570,891
Contingencies and commitments (Note 4)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**1,616**		1,631
Unallocated surplus		**165,243**		160,112
Total members' equity		**166,859**		161,743
Total liabilities and members' equity	**$**	**804,871**	$	732,634

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

CONSOLIDATED STATEMENTS OF INCOME

Farm Credit Southeast Missouri, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
For the period ended June 30,	**2020**	2019	**2020**	2019
Interest income	**$ 8,287**	$ 9,032	**$ 16,816**	$ 17,665
Interest expense	**2,899**	3,883	**6,301**	7,534
Net interest income	**5,388**	5,149	**10,515**	10,131
Provision for (reversal of) credit losses	**1**	(1)	**225**	73
Net interest income after provision for (reversal of) credit losses	**5,387**	5,150	**10,290**	10,058
Non-interest income				
Patronage income	**919**	886	**1,676**	1,320
Financially related services income	**24**	86	**92**	178
Fee income	**136**	--	**171**	(11)
Allocated Insurance Reserve Accounts distribution	**--**	--	**134**	141
Other non-interest income	**53**	25	**57**	59
Total non-interest income	**1,132**	997	**2,130**	1,687
Non-interest expense				
Salaries and employee benefits	**1,164**	1,036	**2,324**	2,611
Other operating expense	**913**	894	**1,916**	1,802
Other non-interest expense	**--**	2	**30**	28
Total non-interest expense	**2,077**	1,932	**4,270**	4,441
Income before income taxes	**4,442**	4,215	**8,150**	7,304
(Benefit from) provision for income taxes	**(7)**	13	**38**	34
Net income	**$ 4,449**	$ 4,202	**$ 8,112**	$ 7,270

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Southeast Missouri, ACA
(in thousands)
(Unaudited)

		Capital Stock and Participation Certificates		Unallocated Surplus		Total Members' Equity
Balance at December 31, 2018	$	1,733	$	150,551	$	152,284
Net income		--		7,270		7,270
Unallocated surplus designated for patronage distributions		--		(3,000)		(3,000)
Capital stock and participation certificates issued		54		--		54
Capital stock and participation certificates retired		(160)		--		(160)
Balance at June 30, 2019	$	1,627	$	154,821	$	156,448
Balance at December 31, 2019	$	1,631	$	160,112	$	161,743
Net income		**--**		**8,112**		**8,112**
Unallocated surplus designated for patronage distributions		**--**		**(2,981)**		**(2,981)**
Capital stock and participation certificates issued		**79**		**--**		**79**
Capital stock and participation certificates retired		**(94)**		**--**		**(94)**
Balance at June 30, 2020	**$**	**1,616**	**$**	**165,243**	**$**	**166,859**

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 (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 Southeast Missouri, ACA and its subsidiaries Farm Credit Southeast Missouri, FLCA and Farm Credit Southeast Missouri, 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	**$**	**416,677**	**55.8%**	$	378,027	56.4%
Production and intermediate-term		**276,617**	**37.1%**		241,696	36.0%
Agribusiness		**15,609**	**2.1%**		11,393	1.7%
Other		**37,327**	**5.0%**		39,425	5.9%
Total	**$**	**746,230**	**100.0%**	$	670,541	100.0%

The other category is primarily composed of certain assets originated under the mission related investment authority as well as rural residential real estate loans.

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	**$ 258**	**$ 424**	**$ 682**	**$ 422,775**	**$ 423,457**	**$ --**
Production and intermediate-term	**416**	**662**	**1,078**	**279,609**	**280,687**	**--**
Agribusiness	**--**	**--**	**--**	**15,701**	**15,701**	**--**
Other	**700**	**1,939**	**2,639**	**35,139**	**37,778**	**1,939**
Total	**$ 1,374**	**$ 3,025**	**$ 4,399**	**$ 753,224**	**$ 757,623**	**$ 1,939**

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	$ 211	$ --	$ 211	$ 385,685	$ 385,896	$ --
Production and intermediate-term	28	--	28	248,092	248,120	--
Agribusiness	--	--	--	11,467	11,467	--
Other	2,798	--	2,798	36,908	39,706	--
Total	$ 3,037	$ --	$ 3,037	$ 682,152	$ 685,189	$ --

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	**$ 147**	$ 147
Volume without specific allowance	**3,386**	429
Total risk loans	**$ 3,533**	$ 576
Total specific allowance	**$ 33**	$ 37
For the six months ended June 30,	**2020**	2019
Income on accrual risk loans	**$ 42**	$ 70
Income on nonaccrual loans	**45**	71
Total income on risk loans	**$ 87**	$ 141
Average risk loans	**$ 1,978**	$ 2,648

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 real estate mortgage loan category totaled $329 thousand and $357 thousand, all of which were in accrual status at June 30, 2020, and December 31, 2019, respectively. There were no commitments to lend to borrowers whose loans have bene 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	**$**	**668**	$	526
Provision for loan losses		**225**		73
Loan recoveries		**2**		2
Loan charge-offs		**(2)**		--
Balance at end of period	**$**	**893**	$	601

The “Provision for (reversal of) credit losses” in the Consolidated Statements of Income includes a provision for loan losses as presented in the previous chart, as well as a provision for credit loss reserve on unfunded commitments. The accrued credit loss reserve on unfunded commitments are recorded in “Other liabilities” in the Consolidated Statements of Condition. The accrued credit loss reserve on unfunded commitments was $90 thousand at June 30, 2020, and December 31, 2019.

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $22.4 million at June 30, 2020, and $24.2 million at December 31, 2019. Our investment securities consisted of securities containing loans fully guaranteed by the Small Business Administration.

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	**$**	**22,382**	$	24,239
Unrealized gains		**94**		119
Unrealized losses		**(106)**		(82)
Fair value	**$**	**22,370**	$	24,276
Weighted average yield		**1.8%**		2.5%

Investment income is recorded in “Interest income” in the Consolidated Statements of Income and totaled $213 thousand and $133 thousand for the six months ended June 30, 2020, and 2019, respectively.

Contractual Maturities of Investment Securities

(in thousands) **As of June 30, 2020**		Amortized Cost
Less than one year	**$**	**1**
One to five years		**83**
Five to ten years		**4,103**
More than ten years		**18,195**
Total	**$**	**22,382**

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	**$ --**	**$ --**	**$ 120**	**$ 120**

As of December 31, 2019	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$ 115	$ 115

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.