2020

SECOND QUARTERLY REPORT

AgPreference, ACA

The shareholders' investment in AgPreference, ACA is materially affected by the financial condition and results of operations of CoBank, ACB, (CoCank). The 2019 CoBank Annual Report to Shareholders, and the CoBank quarterly shareholders' reports are available free of charge by accessing CoBank's website, www.cobank.com, or may be obtained at no charge by contacting us at AgPreference, ACA, 3120 North Main, Altus, Oklahoma 73522-8090, or calling 580-482-3030 or 1-800-727-3276.

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

The following discussion summarizes the financial position and results of operations of AgPreference, ACA for the six months ended June 30, 2020, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2019 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

ECONOMIC CONDITIONS

The second quarter saw limited moisture conditions for most parts of the trade territory. This resulted in some parts of the territory returning to mild drought conditions. Spring rains were spotted and generally higher in the eastern counties and lighter in the western/northern counties.

The 2020 cotton crop is planted and up to good stands. The crop is generally in average condition at present. Irrigation has started where available. Dryland cotton was planted slightly later than normal as producers waited for rain and moisture. Planted acres are near or slightly above typical numbers. The price of cotton remains stable with present prices in the $0.55 to $0.60 cents per pound range.

Pasture and range conditions are overall in average condition. Sporadic rainfall and generally lighter amounts have resulted in pastures varied for fair to good condition. As mentioned, the eastern side of the territory has seen the better rains and conditions are mostly good condition, while western counties have less rain and fair conditions. Many producers report pond water for livestock is low. Farmland values remain stable. It remains to be seen if lower commodity prices and the current market instability will have an impact; however most experts believe land values will experience some pressure.

The 2020 wheat crop has been harvested with yields generally lower than expected as freeze damage was greater than anticipated. Many producers reported yields in the 20-25 bushel per acre range. Wheat prices have declined slightly as harvest pressure affected prices. Reports of large world supplies continue to pressure the market. Current wheat prices are in a range of $4.15 to $4.25/bu.

Livestock prices regained some stability caused by COVID-19 but levels remain lower than prior year. Auctions saw large runs of cattle come through later than normal as producers held cattle longer waiting for markets to rebound. Average 800# feeder steer price is $1.25-$1.30 per lb.

All commodity markets have experienced volatility and lower prices primarily due to the COVID-19 pandemic over the last 90 days. Markets have gained some stability but still remain depressed.

The Federal Open Market Committee maintained the target rate of federal funds at 0 to ¼ percent effective April 30, 2020. The Committee continues to enact policy to maintain market stability during the COVID-19 pandemic.

It remains to be seen what the long term effects of this pandemic will be on the national and world economies, however most projections are more negative and longer term than first thought.

The effects of the COVID-19 pandemic could have a material adverse effect on our Association's business, results of operations and financial condition. The COVID-19 pandemic continues as a global public health crisis and a global economic crisis. During much of the second quarter, actions by government authorities to stem the spread of the disease shut down entire sectors of the global economy, forcing millions of people out of work, and precipitated a contraction in economic output. In the United States, the Federal Reserve deployed a full range of emergency monetary stimulus tools to ensure the financial system continued to function. The administration and Congress have also passed aggressive fiscal stimulus measures. As states and cities have re-opened, certain areas of the country have experienced a substantial increase in cases. It remains to be seen how effective these policy responses will be given the unique attributes of the continuing pandemic.

MERGER

On March 3, 2020 and March 4, 2020, respectively, the boards of directors of Farm Credit of Western Oklahoma, ACA and AgPreference, ACA approved a letter of intent to pursue a merger. The Associations have been completing due diligence since executing the letter of intent in order to develop definitive terms of the merger. The Association does not expect there to be any material negative impact to its operations as a result of the merger.

Detailed disclosure packages, including voting ballots, will be mailed out to all stockholders in the fall of 2020. Stockholder meetings will be held to provide all stockholders with an opportunity to have their questions regarding the merger answered. Subject to regulatory and shareholder approval, the merger date will be effective January 1, 2021.

LOAN PORTFOLIO

Loans outstanding at June 30, 2020, totaled $240,201 million, an increase of $1,247 million, or 0.52%, from loans of $238,954 million at December 31, 2019. The increase was primarily due primarily to new loans.

RESULTS OF OPERATIONS

Net income for the six months ended June 30, 2020, was $725 thousand, a decrease of $837 thousand, or 53.59%, from the same period ended one year ago. The decrease was primarily due to decrease in net interest income and patronage distribution from Farm Credit Institutions and in mineral income.

Net interest income for the six months ended June 30, 2020, was $2,957 million, a decrease of $444 thousand, or 13.05%, compared with the six months ended June 30, 2019. Net interest income decreased as a result of decrease in interest income on loans.

The credit loss reversal for the six months ended June 30, 2020, was $1 thousand, a decrease of $128 thousand, or 99.22%, from the credit loss reversal for the same period ended one year ago. The credit loss reversal decreased as a result of less provision for credit losses due to reduction in the net collective impairment.

Noninterest income decreased $137 thousand during the first six months of 2020 compared with the first six months in 2019 primarily due to a decrease in patronage distribution form CoBank. Also included in noninterest income is a refund of $54 thousand from Farm Credit System Insurance Corporation (FCSIC), a decrease of $6 thousand compared with the refund in 2019. The refunds are our portion of excess funds above the secure base amount in the FCSIC Allocated Insurance Reserve Accounts. Refer to the 2019 Annual Report to Shareholders for additional information.

We received mineral income of $91 thousand during the first six months of 2020, which is distributed to us quarterly by CoBank. The decrease for the six months ended June 30, 2020, compared with first six months of 2019 is primarily the result of a significant drop in crude oil and natural gas prices and production volumes in the second quarter of 2020.

During the first six months of 2020, noninterest expense increased $167 thousand to $2,895 million, primarily due to increase in purchases services for legal and accounting.

CAPITAL RESOURCES

Our shareholders' equity at June 30, 2020, was $53,690 million, an increase from $52,970 million at December 31, 2019. This increase is due to net income offset slightly by net stock retirements.

FUTURE OF LIBOR

In 2017, the United Kingdom's Financial Conduct Authority, announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021. As a result, it is uncertain whether LIBOR will continue to be quoted after 2021. We continue to analyze potential risks associated with the LIBOR transition, including financial, operational, legal, tax, reputational and compliance risks. At this time we are unable to predict whether or when LIBOR will cease to be available or if SOFR or any other alternative reference rate will become the benchmark to replace LIBOR. Refer to the 2019 Annual Report for further information.

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

Lonnie Olson
Chairman of the Board
August 3, 2020

Cecil H. Sheperson
President & Chief Executive Officer
August 3, 2020

Jana Turner
Chief Financial Officer
August 3, 2020

Consolidated Statement of Condition

(Dollars in Thousands)

	June 30 2020 UNAUDITED	December 31 2019 AUDITED
ASSETS		
Loans	$ 240,201	$ 238,954
Less allowance for loan losses	506	498
Net loans	239,695	238,456
Cash	431	717
Accrued interest receivable	5,115	4,664
Investment in CoBank, ACB	8,311	8,310
Premises and equipment, net	1,304	1,376
Prepaid benefit expense	1,064	960
Other assets	877	1,363
Total assets	$ 256,797	$ 255,846
LIABILITIES		
Note payable to CoBank, ACB	$ 200,982	$ 198,653
Advance conditional payments	974	2,386
Accrued interest payable	335	427
Patronage distributions payable	5	594
Accrued benefits liability	117	117
Reserve for unfunded commitments	89	89
Other liabilities	605	610
Total liabilities	203,107	202,876
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Protected borrower stock	10	10
Capital stock	350	355
Unallocated retained earnings	53,330	52,605
Total shareholders' equity	53,690	52,970
Total liabilities and shareholders' equity	$ 256,797	$ 255,846

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

	For the three months ended June 30		For the six months ended June 30	
UNAUDITED	**2020**	2019	**2020**	2019
INTEREST INCOME				
Loans	**$ 2,708**	$ 3,380	**$ 5,691**	$ 6,737
Total interest income	**2,708**	3,380	**5,691**	6,737
INTEREST EXPENSE				
Note payable to CoBank, ACB	**1,259**	1,650	**2,720**	3,316
Other	**2**	9	**14**	20
Total interest expense	**1,261**	1,659	**2,734**	3,336
Net interest income	**1,447**	1,721	**2,957**	3,401
Provision for credit losses/(Credit loss reversal)	**26**	38	**(1)**	(129)
Net interest income after provision for credit losses/credit loss reversal	**1,421**	1,683	**2,958**	3,530
NONINTEREST INCOME				
Loan fees	**79**	83	**136**	109
Patronage distribution from Farm Credit institutions	**175**	210	**348**	426
Farm Credit Insurance Fund distribution	**-**	-	**54**	60
Mineral income	**40**	48	**91**	119
Other noninterest income	**18**	28	**48**	100
Total noninterest income	**312**	369	**677**	814
NONINTEREST EXPENSE				
Salaries and employee benefits	**577**	577	**1,208**	1,391
Occupancy and equipment	**31**	60	**64**	102
Purchased services from AgVantis, Inc.	**241**	228	**485**	457
Farm Credit Insurance Fund premium	**32**	40	**66**	83
Supervisory and examination costs	**-**	22	**47**	45
Other noninterest expense	**770**	334	**1,025**	650
Total noninterest expense	**1,651**	1,261	**2,895**	2,728
Income before income taxes	**82**	791	**740**	1,616
Provision for income taxes	**5**	28	**15**	54
Net income/Comprehensive income	**$ 77**	$ 763	**$ 725**	$ 1,562

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Protected Borrower Stock	Capital Stock	Unallocated Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2018	$ 10	$ 364	$ 50,697	$ 51,071
Net income/Comprehensive income			1,562	1,562
Stock issued	-	4		4
Stock retired	-	(12)		(12)
Balance at June 30, 2019	$ 10	$ 356	$ 52,259	$ 52,625
Balance at December 31, 2019	$ 10	$ 355	$ 52,605	$ 52,970
Net income/Comprehensive income			725	725
Stock issued	-	9		9
Stock retired	-	(14)		(14)
Balance at June 30, 2020	**$ 10**	**$ 350**	**$ 53,330**	**$ 53,690**

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

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of AgPreference, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2019, are contained in the 2019 Annual Report to Shareholders. These unaudited second quarter 2020 financial statements should be read in conjunction with the 2019 Annual Report to Shareholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2019, as contained in the 2019 Annual Report to Shareholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2020. Descriptions of the significant accounting policies are included in the 2019 Annual Report to Shareholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

Recently Adopted or Issued Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association is evaluating the impact of adoption on its financial condition and its results of operations.

In December 2019, the Financial Accounting Standards Board (FASB) issued guidance entitled "Simplifying the Accounting for Income Taxes." This guidance eliminates certain intra period tax allocations, foreign deferred tax recognition and interim period tax calculations. In addition, the guidance simplifies disclosure regarding capital and franchise taxes, the allocation of goodwill in business combinations, subsidiary financial statements and other disclosures. The new guidance is intended to eliminate and/or simplify certain aspects of income tax accounting that are complex or that require significant judgment in application or presentation. The guidance becomes effective for fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted and the institution adopted this guidance on January 1, 2020. The adoption of this guidance did not materially impact the institution's financial condition or results of operations.

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

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

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

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. On October 16, 2019, the FASB approved deferral of the effective date for certain entities for this guidance by two years, which will result in the new credit loss standard becoming effective for interim and annual reporting periods beginning after December 15, 2022. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on its financial condition and its results of operations.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows.

(dollars in thousands)	**June 30, 2020**	December 31, 2019
Real estate mortgage	**$ 181,490**	$ 183,033
Production and intermediate-term	**32,390**	34,396
Agribusiness	**22,555**	19,976
Rural Infrastructure	**3,644**	1,416
Rural residential real estate	**122**	133
Total loans	**$ 240,201**	$ 238,954

The Association purchases and sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at June 30, 2020:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
(dollars in thousands)	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 5,347	$ 1,685	$ 97,357	$ -	$ 102,704	$ 1,685
Production and intermediate-term	2,229	-	113	-	2,342	-
Agribusiness	11,253	2,903	1,001	-	12,254	2,903
Rural infrastructure	3,644	-	-	-	3,644	-
Total	$ 22,473	$ 4,588	$ 98,471	$ -	$ 120,944	$ 4,588

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

- Acceptable – assets are expected to be fully collectible and represent the highest quality.
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness.
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan.
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable.
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	June 30, 2020	December 31, 2019
Real estate mortgage		
Acceptable	**95.08%**	95.31%
OAEM	**2.83%**	2.97%
Substandard	**2.09%**	1.72%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**91.14%**	89.74%
OAEM	**7.84%**	7.77%
Substandard	**1.02%**	2.49%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Rural residential real estate		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**95.07%**	94.91%
OAEM	**3.21%**	3.41%
Substandard	**1.72%**	1.68%
Total	**100.00%**	100.00%

High risk assets consist of impaired loans and other property owned. These nonperforming assets (including related accrued interest) and related credit quality are as follows:

(dollars in thousands)	**June 30, 2020**	December 31, 2019
Nonaccrual loans		
Real estate mortgage	**$ 1,475**	$ 1,610
Production and intermediate-term	**294**	475
Total nonaccrual loans	**$ 1,769**	$ 2,085
Total impaired loans	**$ 1,769**	$ 2,085
Total high risk assets	**$ 1,769**	$ 2,085

The Association had no accruing restructured loans, no accruing loans 90 days past due and no other property owned for the periods presented.

Additional impaired loan information is as follows:

	June 30, 2020			December 31, 2019		
(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with a related allowance for loan losses:						
Production and intermediate-term	**$ 293**	**$ 288**	**$ 57**	$ 474	$ 469	$ 57
Total	**$ 293**	**$ 288**	**$ 57**	$ 474	$ 469	$ 57
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	**$ 1,475**	**$ 1,643**		$ 1,610	$ 1,754	
Production and intermediate-term	**1**	**216**		1	218	
Total	**$ 1,476**	**$ 1,859**		$ 1,611	$ 1,972	
Total impaired loans:						
Real estate mortgage	**$ 1,475**	**$ 1,643**	**$ -**	$ 1,610	$ 1,754	$ -
Production and intermediate-term	**294**	**504**	**57**	475	687	57
Total	**$ 1,769**	**$ 2,147**	**$ 57**	$ 2,085	$ 2,441	$ 57

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

(dollars in thousands)	For the Three Months Ended June 30, 2020 Average Impaired Loans	For the Three Months Ended June 30, 2020 Interest Income Recognized	For the Three Months Ended June 30, 2019 Average Impaired Loans	For the Three Months Ended June 30, 2019 Interest Income Recognized
Impaired loans with a related allowance for loan losses:				
Production and intermediate-term	$ 293	$ -	$ -	$ -
Total	$ 293	$ -	$ -	$ -
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	$ 1,536	$ 4	$ 3,742	$ 32
Production and intermediate-term	2	-	169	3
Total	$ 1,538	$ 4	$ 3,911	$ 35
Total impaired loans:				
Real estate mortgage	$ 1,536	$ 4	$ 3,742	$ 32
Production and intermediate-term	295	-	169	3
Total	$ 1,831	$ 4	$ 3,911	$ 35

(dollars in thousands)	For the Six Months Ended June 30, 2020 Average Impaired Loans	For the Six Months Ended June 30, 2020 Interest Income Recognized	For the Six Months Ended June 30, 2019 Average Impaired Loans	For the Six Months Ended June 30, 2019 Interest Income Recognized
Impaired loans with a related allowance for loan losses:				
Production and intermediate-term	$ 365	$ -	$ 2	$ -
Total	$ 365	$ -	$ 2	$ -
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	$ 1,566	$ 4	$ 4,030	$ 72
Production and intermediate-term	4	-	102	3
Total	$ 1,570	$ 4	$ 4,132	$ 75
Total impaired loans:				
Real estate mortgage	$ 1,566	$ 4	$ 4,030	$ 72
Production and intermediate-term	369	-	104	3
Total	$ 1,935	$ 4	$ 4,134	$ 75

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

June 30, 2020 *(dollars in thousands)*	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ -	$ 742	$ 742	$ 184,307	$ 185,049	$ -
Production and intermediate-term	1	293	294	33,559	33,853	-
Agribusiness	-	-	-	22,647	22,647	-
Rural infrastructure	-	-	-	3,645	3,645	-
Rural residential real estate	-	-	-	122	122	-
Total	$ 1	$ 1,035	$ 1,036	$ 244,280	$ 245,316	$ -

December 31, 2019 *(dollars in thousands)*	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ -	$ 293	$ 293	$ 186,035	$ 186,328	$ -
Production and intermediate-term	6	475	481	35,150	35,631	-
Agribusiness	-	-	-	20,110	20,110	-
Rural infrastructure	-	-	-	1,416	1,416	-
Rural residential real estate	-	-	-	133	133	-
Total	$ 6	$ 768	$ 774	$ 242,844	$ 243,618	$ -

A summary of changes in the allowance for loan losses is as follows:

(dollars in thousands)	Balance at March 31, 2020	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2020
Real estate mortgage	$ 182	$ -	$ -	$ 12	$ 194
Production and intermediate-term	257	-	5	20	282
Agribusiness	33	-	-	(5)	28
Rural infrastructure	8	-	-	(6)	2
Rural residential real estate	1	-	-	(1)	-
Total	$ 481	$ -	$ 5	$ 20	$ 506

(dollars in thousands)	Balance at December 31, 2019	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2020
Real estate mortgage	$ 182	$ -	$ -	$ 12	$ 194
Production and intermediate-term	262	-	9	11	282
Agribusiness	44	-	-	(16)	28
Rural infrastructure	9	-	-	(7)	2
Rural residential real estate	1	-	-	(1)	-
Total	$ 498	$ -	$ 9	$ (1)	$ 506

(dollars in thousands)	Balance at December 31, 2018	Charge-offs	Recoveries	Loan Loss Reversals	Balance at June 30, 2019
Real estate mortgage	$ 270	$ -	$ -	$ (8)	$ 262
Production and intermediate-term	387	(3)	-	(94)	290
Agribusiness	25	-	-	(8)	17
Rural infrastructure	19	-	-	(8)	11
Rural residential real estate	1	-	-	-	1
Total	$ 702	$ (3)	$ -	$ (118)	$ 581

The Association maintains a separate reserve for unfunded commitments, which is included in Liabilities on the Association's Consolidated Statement of Condition. The related provision of the reserve for unfunded commitments is included as part of the provision for credit losses on the Consolidated Statement of Comprehensive Income, along with the provision for loan losses. A summary of changes in the reserve for unfunded commitments follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
(dollars in thousands)	**2020**	2019	**2020**	2019
Balance at beginning of period	**$ 84**	$ 70	**$ 89**	$ 94
Provision for/(Reversal of) reserve for unfunded commitment	**5**	13	**-**	(11)
Total	**$ 89**	$ 83	**$ 89**	$ 83

Additional information on the allowance for loan losses follows:

(dollars in thousands)	Allowance for Loan Losses Ending Balance at June 30, 2020		Recorded Investments in Loans Outstanding Ending Balance at June 30, 2020	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 194	$ 1,475	$ 183,574
Production and intermediate-term	57	225	294	33,559
Agribusiness	-	28	-	22,647
Rural infrastructure	-	2	-	3,645
Rural residential real estate	-	-	-	122
Total	$ 57	$ 449	$ 1,769	$ 243,547

(dollars in thousands)	Allowance for Loan Losses Ending Balance at December 31, 2019		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2019	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 182	$ 1,610	$ 184,718
Production and intermediate-term	57	205	475	35,156
Agribusiness	-	44	-	20,110
Rural infrastructure	-	9	-	1,416
Rural residential real estate	-	1	-	133
Total	$ 57	$ 441	$ 2,085	$ 241,533

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The Association recorded no TDRs during the six months ended June 30, 2020. The Association had no TDRs within the previous 12 months and for which there were subsequent payment defaults during 2020 and 2019.

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

(dollars in thousands)	Loans modified as TDRs		TDRs in Nonaccrual Status*	
	June 30, 2020	December 31, 2019	**June 30, 2020**	December 31, 2019
Real estate mortgage	**$ 267**	$ 351	**$ 267**	$ 351
Total	**$ 267**	$ 351	**$ 267**	$ 351

* Represents the portion of loans modified as TDRs (first column) that are in nonaccrual status.

NOTE 3 - CAPITAL

A summary of select capital ratios based on a three-month average and minimums set by the Farm Credit Administration follows.

	As of June 30, 2020	As of December 31, 2019	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	22.09%	21.65%	4.5%	2.5%	7.0%
Tier 1 capital ratio	22.09%	21.65%	6.0%	2.5%	8.5%
Total capital ratio	22.37%	22.00%	8.0%	2.5%	10.5%
Permanent capital ratio	22.14%	21.71%	7.0%	-	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	18.53%	17.90%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	19.52%	18.86%	1.5%	-	1.5%

If capital ratios fall below the regulatory minimum plus buffer amounts, capital distributions (equity redemptions, cash dividend payments, and cash patronage payments) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

NOTE 4 - FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 of the 2019 Annual Report to Shareholders for a more complete description.

The Association had no assets or liabilities measured at fair value on a recurring basis at June 30, 2020 or December 31, 2019.

Assets measured at fair value on a non-recurring basis for each of the fair value hierarchy values are summarized below:

	Fair Value Measurement Using			**Total Fair Value**
(dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	
June 30, 2020				
Loans	**$ -**	**$ -**	**$ 236**	**$ 236**
December 31, 2019				
Loans	$ -	$ -	$ 417	$ 417

The Association had no liabilities measured at fair value on a non-recurring basis at June 30, 2020 or December 31, 2019.

Valuation Techniques

As more fully discussed in Note 2 of the 2019 Annual Report to Shareholders, accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following presents a brief summary of the valuation techniques used by the Association for assets and liabilities, subject to fair value measurement.

Loans Evaluated for Impairment

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

NOTE 6 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through August 3, 2020, which is the date the financial statements were issued, and no material subsequent events were identified.