Quarterly Report
September 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Mid-America, ACA and its subsidiaries, Farm Credit Mid-America, FLCA and Farm Credit Mid-America, 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:

Farm Credit Mid-America, ACA
P.O. Box 34390
Louisville, KY 40232
(800) 444-FARM
www.e-farmcredit.com

AgriBank, FCB
30 East 7th Street, Suite 1600
St. Paul, MN 55101
(651) 282-8800
www.AgriBank.com
FinancialReporting@AgriBank.com

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

Based on early harvest reports, yields should be good to excellent in the four states we serve. Good yields, better pricing opportunities and government payments should provide an overall lift to financials for crop producers in 2020. Most protein segments are still showing some backlog of live inventories, but price is recovering driven by increased demand domestically and abroad. Nearly all processing plants are currently operating at or near capacity. Nationally 2019 net farm income was revised lower from $93.6 billion to $83.7 billion. 2020 is now projected at $98.6 billion, the highest number since 2013, without adding a second round of stimulus.

The shape of the post COVID-19 recovery is difficult to predict. All four states we serve are now open at various levels, but still reporting numerous new COVID-19 cases. Unemployment rates remain elevated from a historical perspective, but all four states show significant improvement from May. The May/August rates are as follows: Indiana 12.3/6.4%, Kentucky 11.0/7.6%, Tennessee 11.3/8.5% and Ohio 13.7/8.9%. The government's commitment to maintain liquidity in the market continues to provide support for consumer confidence. The University of Michigan's consumer sentiment for the U.S. was revised higher to 80.4 in September of 2020 from a preliminary of 78.9. It remains the highest reading since March, mainly due to a more optimistic outlook for the national economy (75.6 vs 68.5 in August). Our concern remains a significant increase in COVID-19 cases as we enter the winter months potentially causing a reversal of consumer sentiment and economic recovery.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $23.5 billion at September 30, 2020, an increase of $46.2 million from December 31, 2019. The increase in loans is primarily due to an increase in agribusiness loans. This increase is offset by the asset pool sale to AgriBank. On May 1, 2020, we sold $1.9 billion of a participation interest in real estate loans to AgriBank. AgriBank has established a separate patronage pool for these assets and intends to pay the net earnings back as patronage to us.

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 provided for loan forgiveness under limited circumstances and loan payments were deferred up to six months. Since beginning the program, we have successfully processed $19.6 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 improved from December 31, 2019. Adversely classified loans decreased to 3.1% of the portfolio at September 30, 2020, from 3.5% of the portfolio at December 31, 2019. High quality growth and the portfolio performing better than expected given the current COVID-19 pandemic contributed to the improvement. We anticipate portfolio stress during the fourth quarter based on the impacts of COVID-19, but not at levels previously expected. Portfolio growth, good yields and improving prices along with significant additional government stimulus should support portfolio quality. However, it will be several months before we know the full impact of the virus on the U.S. and global economies. Our current stress testing assumptions anticipate an increase in adverse credit quality in 2021, but below earlier models. 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.

Risk Assets

Components of Risk Assets

(dollars in thousands) **As of:**	**September 30, 2020**	December 31, 2019
Loans:		
Non-accrual	**$ 223,432**	$ 265,116
Accruing restructured	**17,512**	19,057
Accruing loans 90 days or more past due	**79,412**	34,213
Total risk loans	**320,356**	318,386
Other property owned	**1,723**	3,514
Total risk assets	**$ 322,079**	$ 321,900
Total risk loans as a percentage of total loans	**1.3%**	1.3%
Non-accrual loans as a percentage of total loans	**0.9%**	1.1%
Current non-accrual loans as a percentage of total non-accrual loans	**62.7%**	67.7%
Total delinquencies as a percentage of total loans	**1.2%**	1.0%

Note: Accruing loans include accrued interest receivable.

Our risk assets increased slightly 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 parameters.

The decrease in non-accrual loans was the result of proactively addressing financially challenged accounts leading to timely resolutions. Non-accrual loans remained at an acceptable level at September 30, 2020, and December 31, 2019.

The slight decrease in accruing restructured loans was primarily due to more pay downs than newly restructured loans during the nine months ended September 30, 2020.

The increase in accruing loans 90 days or more past due and total delinquencies as a percentage of total loans was primarily due to delinquencies in the United States Department of Agriculture (USDA) guaranteed assets and a group of loans with servicing actions approved, but not booked by month end. This group of loans is well secured and full payment is expected. The increase in total delinquencies as a percentage of total loans was also influenced by the ongoing impacts of COVID-19 and related stress in the farm and general economies. Our accounting policy requires loans past due 90 days or more to be transferred into non-accrual status unless adequately secured and a plan is in place to collect past due amounts. Based on our analysis, accruing loans 90 days or more past due were eligible to remain in accruing status.

Other property owned declined from December 31, 2019, and remains at acceptable levels with limited additions over the last 12 months. Aggressive management of properties and the freeze on litigation relating to COVID-19 are influencing this number.

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:	September 30, 2020	December 31, 2019
Allowance as a percentage of:		
Loans	**0.3%**	0.3%
Non-accrual loans	**33.8%**	29.0%
Total risk loans	**23.6%**	24.2%

The allowance for loan losses decreased slightly from December 31, 2019, due to higher charge-offs in 2020. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at September 30, 2020.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the nine months ended September 30	2020	2019
Net income	**$ 308,054**	$ 331,007
Return on average assets	**1.66%**	1.85%
Return on average members' equity	**8.18%**	9.17%

Changes presented in the chart above 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 nine months ended September 30	2020	2019	Increase (decrease) in net income
Net interest income	**$ 388,587**	$ 380,888	**$ 7,699**
Provision for (reversal of) credit losses	**4,554**	(24,965)	**(29,519)**
Non-interest income	**150,243**	112,023	**38,220**
Non-interest expense	**219,358**	179,379	**(39,979)**
Provision for income taxes	**6,864**	7,490	**626**
Net income	**$ 308,054**	$ 331,007	**$ (22,953)**

Net Interest Income

Changes in Net Interest Income

(in thousands)

For the nine months ended September 30	2020 vs 2019
Changes in volume	**$ 17,787**
Changes in interest rates	**(9,555)**
Changes in non-accrual income and other	**(533)**
Net change	**$ 7,699**

Provision for (Reversal of) Credit Losses

The change in the provision for (reversal of) credit losses was primarily due to the reversal in the second quarter of 2019 related to updated industry stress assumptions.

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 nine months ended September 30		2020		2019
Wholesale patronage	$	81,243	$	70,785
Pool program patronage		16,103		2,864
AgDirect partnership distribution		4,156		3,919
Other patronage		1,154		65
Total patronage income	$	102,656	$	77,633
Form of patronage distributions:				
Cash	$	102,656	$	33,423
Stock		--		44,210
Total patronage income	$	102,656	$	77,633

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

Fee Income: The increase in fee income was primarily due to increased origination fees related to an increase in loan originations during the first nine months of 2020.

Non-Interest Expense

The change in non-interest expense was primarily related to the increase in salaries and employee benefits related to increased staffing levels and operating expenses due to association initiatives.

Provision for Income Taxes

The change in provision for income taxes was primarily due to year-to-date income taxes being lower for 2020 due to lower pretax income on the taxable portion of the business.

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 April 30, 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. During recent market volatility and access, certain adjustments to the cost of our funding of intermediate and longer term loans was negatively impacted. However, as of September 30, 2020, these adjustments were removed.

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 September 30, 2020, or December 31, 2019.

Total members' equity increased $141.9 million from December 31, 2019, primarily due to net income for the period partially offset by patronage distribution accruals. The change in accumulated other comprehensive loss is the amortization impact of prior service cost and unamortized gain/loss related to the Pension Restoration Plan. Refer to Note 10 in our 2019 Annual Report for more information on the Pension Restoration Plan.

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

Regulatory Capital Requirements and Ratios

As of:	September 30, 2020	December 31, 2019	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**19.8%**	20.8%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**19.8%**	20.8%	6.0%	2.5%	8.5%
Total capital ratio	**20.2%**	21.2%	8.0%	2.5%	10.5%
Permanent capital ratio	**19.9%**	20.9%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**18.7%**	19.1%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**19.7%**	19.3%	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, as discussed in Note 12 in our 2019 Annual Report.

REGULATORY MATTERS

Criteria to Reinstate Non-accrual Loans

In August 2020, the FCA Board approved a final rule to revise how high-risk loans for Farm Credit System banks and associations are classified by clarifying the factors used to place loans in non-accrual status and revising reinstatement criteria. The stated objectives of the revised requirements are to:

- Enhance the usefulness of high-risk loan categories
- Replace the subjective measure of “reasonable doubt” used for reinstating loans to accrual status with a measurable standard
- Improve the timely recognition of a change in a loan’s status
- Update existing terminology and make other grammatical changes

The final rule became effective October 21, 2020. We are in the process of updating our policies, procedures, and other documentation to ensure compliance with the amended regulation. The impact of the revisions is not expected to be material to our financial statements.

Investment Securities Eligibility

In August 2020, the FCA Board approved a final rule to amend the investment eligibility regulation. The final rule allows associations to purchase portions of loans in the secondary market that are fully and unconditionally guaranteed by the USDA. The final rule is not yet effective, but will take effect 30 days after publication in the Federal Register during which either body of Congress is in session. Notice of the effective date will be published in the Federal Register. The amendment is not expected to have a material impact to our financial statements.

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 Farm Credit 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 $3.1 million was paid in cash and the remainder is due in January 2021. As of September 30, 2020, our investment in SunStream was $5.6 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 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.

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 September 30, 2020, Quarterly Report of Farm Credit Mid-America, 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.

Andrew Wilson

Andrew Wilson
Chair of the Board
Farm Credit Mid-America, ACA

William L Johnson

William L. Johnson
President and Chief Executive Officer
Farm Credit Mid-America, ACA

Steve Zagar

Steve Zagar
Senior Vice President and Chief Financial Officer
Farm Credit Mid-America, ACA

November 9, 2020

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

As of:		September 30, 2020		December 31, 2019
ASSETS				
Loans	**$**	**23,529,959**	$	23,483,766
Allowance for loan losses		**75,593**		76,898
Net loans		**23,454,366**		23,406,868
Investment in AgriBank, FCB		**690,787**		517,435
Investment securities		**472,815**		476,728
Accrued interest receivable		**226,184**		207,924
Assets held for lease, net		**67,499**		95,017
Other assets		**331,884**		299,311
Total assets	**$**	**25,243,535**	$	25,003,283
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**19,819,728**	$	19,634,081
Accrued interest payable		**86,885**		128,990
Deferred tax liabilities, net		**10,003**		17,974
Patronage distribution payable		**170,366**		186,600
Other liabilities		**72,134**		93,080
Total liabilities		**20,159,116**		20,060,725
Contingencies and commitments (Note 5)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**76,338**		74,791
Unallocated surplus		**5,008,986**		4,868,756
Accumulated other comprehensive loss		**(905)**		(989)
Total members' equity		**5,084,419**		4,942,558
Total liabilities and members' equity	**$**	**25,243,535**	$	25,003,283

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
For the period ended September 30	**2020**	2019	**2020**	2019
Interest income	**$ 219,336**	$ 261,222	**$ 705,164**	$ 777,722
Interest expense	**86,884**	133,455	**316,577**	396,834
Net interest income	**132,452**	127,767	**388,587**	380,888
Provision for (reversal of) credit losses	**--**	(1,211)	**4,554**	(24,965)
Net interest income after provision for (reversal of) credit losses	**132,452**	128,978	**384,033**	405,853
Non-interest income				
Patronage income	**38,553**	25,980	**102,656**	77,633
Financially related services income	**4,670**	4,852	**5,558**	5,558
Fee income	**12,250**	10,055	**37,472**	22,947
Operating lease (loss) income, net	**(842)**	2,131	**1,353**	4,475
Other property owned income (loss), net	**128**	(464)	**(331)**	(2,286)
Allocated Insurance Reserve Accounts distribution	**--**	--	**4,631**	4,922
Other non-interest loss	**(468)**	(243)	**(1,096)**	(1,226)
Total non-interest income	**54,291**	42,311	**150,243**	112,023
Non-interest expense				
Salaries and employee benefits	**47,011**	37,981	**134,475**	112,871
Other operating expense	**28,266**	22,479	**80,568**	66,310
Other non-interest expense	**95**	7	**4,315**	198
Total non-interest expense	**75,372**	60,467	**219,358**	179,379
Income before income taxes	**111,371**	110,822	**314,918**	338,497
Provision for income taxes	**1,510**	2,657	**6,864**	7,490
Net income	**$ 109,861**	$ 108,165	**$ 308,054**	$ 331,007
Other comprehensive income				
Employee benefit plans activity	**$ 28**	$ 25	**$ 84**	$ 75
Total other comprehensive income	**28**	25	**84**	75
Comprehensive income	**$ 109,889**	$ 108,190	**$ 308,138**	$ 331,082

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2018	$ 78,260	$ 4,630,441	$ (898)	$ 4,707,803
Net income	--	331,007	--	331,007
Other comprehensive income	--	--	75	75
Unallocated surplus designated for patronage distributions	--	(120,552)	--	(120,552)
Cumulative effect of change in accounting principle	--	(8)	--	(8)
Capital stock and participation certificates issued	3,516	--	--	3,516
Capital stock and participation certificates retired	(7,180)	--	--	(7,180)
Balance at September 30, 2019	$ 74,596	$ 4,840,888	$ (823)	$ 4,914,661
Balance at December 31, 2019	$ 74,791	$ 4,868,756	$ (989)	$ 4,942,558
Net income	**--**	**308,054**	**--**	**308,054**
Other comprehensive income	**--**	**--**	**84**	**84**
Unallocated surplus designated for patronage distributions	**--**	**(167,824)**	**--**	**(167,824)**
Capital stock and participation certificates issued	**6,853**	**--**	**--**	**6,853**
Capital stock and participation certificates retired	**(5,306)**	**--**	**--**	**(5,306)**
Balance at September 30, 2020	**$ 76,338**	**$ 5,008,986**	**$ (905)**	**$ 5,084,419**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim Consolidated Statements of Condition and Consolidated Statements of Comprehensive Income. Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the nine months ended September 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 Mid-America, ACA and its subsidiaries Farm Credit Mid-America, FLCA and Farm Credit Mid-America, 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 March 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which provides relief from certain requirements under GAAP, was signed into law.	Section 4013 of the CARES act gives entities temporary relief from the accounting and disclosure requirements for troubled debt restructurings (TDRs) and if certain criteria are met these loan modifications may not need to be classified as TDRs.	We have adopted this relief for qualifying loan modifications. However, modifications of this nature have not been material.
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 expect to adopt the standard as of January 1, 2023. 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:	**September 30, 2020**			December 31, 2019		
		Amount	%		Amount	%
Real estate mortgage	**$**	**14,800,854**	**62.9%**	$	14,927,079	63.6%
Production and intermediate-term		**4,153,095**	**17.7%**		4,071,670	17.3%
Agribusiness		**2,481,221**	**10.5%**		2,088,621	8.9%
Rural residential real estate		**731,626**	**3.1%**		919,607	3.9%
Finance leases and other		**1,363,163**	**5.8%**		1,476,789	6.3%
Total	**$**	**23,529,959**	**100.0%**	$	23,483,766	100.0%

The finance leases and other category is primarily composed of certain assets originated under the mission related investment authority and rural infrastructure related loans, as well as lease receivables.

Delinquency

Aging Analysis of Loans

(in thousands) **As of September 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	**$**	**34,002**	**$**	**62,293**	**$**	**96,295**	**$**	**14,854,858**	**$**	**14,951,153**	**$**	**24,634**
Production and intermediate-term		**10,213**		**34,339**		**44,552**		**4,152,840**		**4,197,392**		**10,033**
Agribusiness		**437**		**596**		**1,033**		**2,491,476**		**2,492,509**		**--**
Rural residential real estate		**5,217**		**2,528**		**7,745**		**726,102**		**733,847**		**44**
Finance leases and other		**94,367**		**44,895**		**139,262**		**1,239,073**		**1,378,335**		**44,701**
Total	**$**	**144,236**	**$**	**144,651**	**$**	**288,887**	**$**	**23,464,349**	**$**	**23,753,236**	**$**	**79,412**

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	$	45,496	$	33,638	$	79,134	$	14,978,614	$	15,057,748	$	267
Production and intermediate-term		14,506		22,033		36,539		4,086,963		4,123,502		77
Agribusiness		333		1,413		1,746		2,097,148		2,098,894		--
Rural residential real estate		34,827		2,783		37,610		884,854		922,464		--
Finance leases and other		56,170		34,058		90,228		1,394,672		1,484,900		33,869
Total	$	151,332	$	93,925	$	245,257	$	23,442,251	$	23,687,508	$	34,213

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:**		**September 30, 2020**		December 31, 2019
Volume with specific allowance	**$**	**18,054**	$	23,444
Volume without specific allowance		**302,302**		294,942
Total risk loans	**$**	**320,356**	$	318,386
Total specific allowance	**$**	**8,572**	$	10,627
For the nine months ended September 30		**2020**		2019
Income on accrual risk loans	**$**	**2,621**	$	1,423
Income on non-accrual loans		**10,176**		10,709
Total income on risk loans	**$**	**12,797**	$	12,132
Average risk loans	**$**	**321,032**	$	310,489

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 September 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 may be modifications made related to the COVID-19 pandemic or in the normal course of business that would not be considered TDRs.

TDR Activity

(in thousands)

Nine months ended September 30	2020		2019	
	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	**$ 1,331**	**$ 1,331**	$ 4,558	$ 4,558
Production and intermediate-term	**201**	**201**	1,973	1,973
Rural residential real estate	**43**	**43**	34	34
Total	**$ 1,575**	**$ 1,575**	$ 6,565	$ 6,565

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 types of modification included interest rate reduction below market and forgiveness of principal and interest.

TDRs that Occurred Within the Previous 12 Months that Subsequently Defaulted During the Nine Months Ended September 30,

(in thousands)	2020	2019
Real estate mortgage	**$ 128**	$ 683
Production and intermediate-term	**78**	14
Rural residential real estate	**37**	13
Total	**$ 243**	$ 710

TDRs Outstanding

(in thousands) **As of:**	**September 30, 2020**	December 31, 2019
Accrual status:		
Real estate mortgage	**$ 14,463**	$ 15,100
Production and intermediate-term	**1,710**	2,533
Rural residential real estate	**1,339**	1,424
Total TDRs in accrual status	**$ 17,512**	$ 19,057
Non-accrual status:		
Real estate mortgage	**$ 14,568**	$ 15,470
Production and intermediate-term	**3,675**	3,626
Rural residential real estate	**638**	796
Total TDRs in non-accrual status	**$ 18,881**	$ 19,892
Total TDRs:		
Real estate mortgage	**$ 29,031**	$ 30,570
Production and intermediate-term	**5,385**	6,159
Rural residential real estate	**1,977**	2,220
Total TDRs	**$ 36,393**	$ 38,949

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

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) **Nine months ended September 30**	**2020**	2019
Balance at beginning of period	**$ 76,898**	$ 103,549
Provision for (reversal of) loan losses	**4,021**	(25,129)
Loan recoveries	**2,096**	2,664
Loan charge-offs	**(7,422)**	(5,402)
Balance at end of period	**$ 75,593**	$ 75,682

The “Provision for (reversal of) credit losses” in the Consolidated Statements of Comprehensive Income includes a provision for (reversal of) loan losses as presented in the previous chart, as well as a provision for credit losses on unfunded commitments. The accrued credit losses on unfunded commitments are recorded in “Other liabilities” in the Consolidated Statements of Condition.

Credit Loss Information on Unfunded Commitments

(in thousands) **For the nine months ended September 30**	**2020**	2019
Provision for credit losses	**$ 533**	$ 164
As of:	**September 30, 2020**	December 31, 2019
Accrued credit losses	**$ 7,473**	$ 6,940

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $472.8 million at September 30, 2020, and $476.7 million at December 31, 2019. Our investment securities consisted of pools of loans guaranteed by the Small Business Administration (SBA), except for $6.5 million at September 30, 2020, and $6.7 million at December 31, 2019, of which were not guaranteed.

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 September 30, 2020, or December 31, 2019. 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.

Our investments are either mortgage-backed securities (MBS), which are generally longer-term investments, or asset-backed securities (ABS), which are generally shorter-term investments. SBA guaranteed investments may be composed of either MBS or ABS.

Additional Investment Securities Information

(dollars in thousands) **As of September 30, 2020**	Weighted Average Yield	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
MBS	**1.8%**	**$ 265,285**	**$ 7,675**	**$ 70**	**$ 272,890**
ABS	**1.4%**	**207,530**	**6,132**	**--**	**213,662**
Total	**1.6%**	**$ 472,815**	**$ 13,807**	**$ 70**	**$ 486,552**

As of December 31, 2019	Weighted Average Yield	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
MBS	3.3%	$ 301,497	$ 4,574	$ 499	$ 305,572
ABS	2.9%	175,231	297	460	$ 175,068
Total	3.1%	$ 476,728	$ 4,871	$ 959	$ 480,640

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $6.1 million and $10.7 million for the nine months ended September 30, 2020, and 2019, respectively.

Contractual Maturities of Investment Securities

(in thousands) **As of September 30, 2020**	Amortized Cost
Less than one year	**$ 62**
One to five years	**4,668**
Five to ten years	**148,018**
More than ten years	**320,067**
Total	**$ 472,815**

A summary of investments in an unrealized loss position presented by the length of time the investments have been in continuous unrealized loss position follows:

(in thousands)	Less than 12 months		Greater than 12 months	
As of September 30, 2020	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS	**$ 7,652**	**$ 44**	**$ 5,510**	**$ 26**
ABS	**--**	**--**	**--**	**--**
Total	**$ 7,652**	**$ 44**	**$ 5,510**	**$ 26**

As of December 31, 2019	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	Greater than 12 months Fair Value	Greater than 12 months Unrealized Losses
MBS	$ 5,863	$ 159	$ 36,668	$ 340
ABS	95,690	439	8,958	21
Total	$ 101,553	$ 598	$ 45,626	$ 361

Unrealized losses associated with investment securities are not considered to be other-than-temporary due to the 100% guarantee of the principal by the U.S. government. However, the premiums paid to purchase the investment are not guaranteed and are amortized over the weighted average maturity of each loan as a reduction of interest income. Repayment of principal is assessed at least quarterly, and any remaining unamortized premium is taken as a reduction to interest income if principal repayment is unlikely, or when a demand for payment is made for the guarantee. At September 30, 2020, the majority of the $70 thousand unrealized loss represents unamortized premium.

NOTE 4: OTHER INVESTMENTS

We and other Farm Credit Institutions are among the limited partners for Rural Business Investment Companies (RBICs). Our total commitment is $62.5 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 $20.4 million at September 30, 2020, and $17.8 million at December 31, 2019.

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

NOTE 5: CONTINGENCIES AND COMMITMENTS

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

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

NOTE 6: FAIR VALUE MEASUREMENTS

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

We did not have any assets or liabilities measured at fair value on a recurring basis at September 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 September 30, 2020	Fair Value Measurement Using Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	**$ --**	**$ --**	**$ 9,956**	**$ 9,956**
Other property owned	**--**	**--**	**1,826**	**1,826**

As of December 31, 2019	Fair Value Measurement Using Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$ 13,458	$ 13,458
Other property owned	--	--	3,725	3,725

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.

Other Property Owned: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. 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 property and other matters, they are classified as Level 3.

NOTE 7: SUBSEQUENT EVENTS

We have evaluated subsequent events through November 9, 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.