Second Quarter Financial Report

June 30, 2019

Farm Credit Services of America

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Farm Credit Services of America, ACA

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following commentary reviews the consolidated financial position and consolidated results of operations of Farm Credit Services of America, ACA, and its subsidiaries (Farm Credit Services of America). The accompanying consolidated financial statements and notes also contain important information about our financial position and results of operations. You should also read our 2018 Annual Report for a description of our organization, operations and significant accounting policies.

AgriBank, FCB's financial condition and results of operations materially affect shareholders' investment in Farm Credit Services of America, ACA. To request a free copy of the combined AgriBank, FCB and Affiliated Associations' financial reports or additional copies of our report contact us at PO Box 2409, Omaha, NE 68103-2409, (800) 531-3905 or via electronic mail to $sr@fcsamerica.com or view them at our Web site, www.fcsamerica.com. You may also contact AgriBank, FCB at 30 East 7th Street, Suite 1600, St. Paul, MN 55101, (651) 282-8800, or via electronic mail to: financialreporting@agribank.com. The combined AgriBank, FCB and Affiliated Associations' financial reports are also available through AgriBank, FCB's website at www.agribank.com.

Forward-Looking Information

Any forward-looking statements in this Quarterly Financial 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 2018 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.

Loan Portfolio

Loan volume was relatively stable in the second quarter, increasing by $148.8 million from year-end, an increase of 0.5 percent.

We recorded a $8.6 million provision for credit losses for the first six months of 2019, as compared with $15.7 million during the first six months of 2018. The rate of credit deterioration in several portfolios has slowed leading to a more modest provision expense compared to the first six months of 2018. Net charge-offs for the first six months of 2019 were $1.6 million compared to net charge offs of $1.7 million in the same period a year ago.

The following table summarizes risk assets (accruing volume includes accrued interest receivable) and delinquency information (dollars in thousands):

	June 30, 2019	December 31, 2018
Risk loans:		
Nonaccrual	**$ 214,862**	$ 162,529
Restructured	**35,891**	36,739
90 days past due still accruing interest	**18,131**	6,645
Total risk loans	**268,884**	205,913
Other property owned, net	**30,040**	33,615
Total risk assets	**$ 298,924**	$ 239,528
Risk loans as a percentage of total loans	**0.93%**	0.71%
Nonaccrual loans as a percentage of total loans	**0.74%**	0.56%
Current nonaccrual loans as a percentage of total nonaccrual loans	**62.1%**	65.1%
Total delinquencies as a percentage of total loans	**0.78%**	0.64%

Total risk loans have increased since year-end due to increases in nonaccrual loans and loans 90 days past due still accruing interest. The increase in nonaccrual loans is primarily due to accounts in the swine, dairy and beef feedlot portfolios. It is our practice to transfer accruing loans that are past due 90 days or more into nonaccrual unless they are adequately secured and in the process of collection. Based on our analysis, loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection. Risk loans as a percentage of total loans remain at acceptable levels.

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

Comparative allowance coverage of various loan categories follows:

	June 30, 2019	December 31, 2018
Allowance as a percentage of:		
Total loans	**0.57%**	0.55%
Nonaccrual loans	**75.86%**	96.60%
Total risk loans	**60.62%**	76.25%
Net charge-offs (recoveries) as a percentage of average loans	**0.01%**	0.01%
Adverse assets to risk funds*	**54.11%**	53.91%

**Risk funds includes permanent capital and allowance for loan losses.*

Our adversely classified assets increased during the first six months of 2019 ending the quarter at 9.90 percent of the portfolio, compared to 9.27 percent of the portfolio at December 31, 2018. Adversely classified are assets 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, and in our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at June 30, 2019.

Commodity Review and Outlook Update

Our appraisal team monitors real estate value trends through semi-annual appraisals of sixty-four agricultural farms located throughout our territory. The appraisal team updates benchmark farm values based on the most recently reported real estate sales on January 1st and July 1st each year.

The average change in benchmark farm values at July 1, 2019 is shown below. The number of benchmark farms is shown in parenthesis after each state.

State	**Six-Month**	**One-Year**	**Five-Year**	**Ten-Year**
Iowa (21)	(1.3)%	(2.7)%	(15.3)%	71.3%
Nebraska (18)	(0.4)%	(1.4)%	(15.7)%	103.1%
South Dakota (23)	(0.7)%	(1.3)%	(8.9)%	91.0%
Wyoming (2)	6.5%	9.8%	35.9%	45.9%

Farmland prices were relatively steady across our territory compared to a year ago. There continues to be demand for good quality properties with marginal properties showing weakness. The number of agricultural real estate sales tracked by our appraisal team has been fairly stable over the past four years.

Repayment capacity for our loans is largely dependent upon income from corn, soybeans, hogs and cattle. Of somewhat less significance are wheat, dairy and poultry.

The wet spring significantly impeded planting progress for most crop producers. While planting was delayed across virtually all areas served by us, a large portion of eastern South Dakota remained wet throughout the planting season creating widespread prevented planting claims. Planting delays and increased anticipation of widespread unplanted acres improved the profit margin outlook as futures prices for corn and soybeans improved on anticipated reduction in supply. While improved, profit margins for soybeans continue to be hampered by very large inventories and continued trade tariffs imposed by China.

Wet weather patterns continued to create negative feeding conditions leading to profit challenges across the beef sector. Swine producers benefited from global supply concerns created by continued expansion of African Swine Fever across Asia causing improved domestic pork prices. Profit margins for egg producers remained negative through the second quarter of 2019.

Operating loan renewals and the receipt of customer financial information is seasonally concentrated in the first and second quarters of each calendar year. Our review of customer financial information reflected an improvement in the overall profitability within the grain portfolio aided by generally strong yields and Market Facilitation Payments. Despite improved profitability across the sector, the level of adversely classified assets within the loan portfolio increased modestly, while delinquencies and nonaccrual levels remained stable.

Refer to the Commodity Review and Outlook section of Management's Discussion & Analysis in the 2018 Annual Report for further analysis of farm land prices and industry conditions.

Results of Operations

The following table presents profitability information (dollars in thousands):

	For the six months ended June 30,	
	2019	2018
Net income (in thousands)	**$308,008**	$276,049
Return on average assets	**2.08%**	1.99%
Return on average members' equity	**11.05%**	10.69%

Changes in these ratios are directly related to the changes in income discussed in this section, changes in assets discussed in the Loan Portfolio section and changes in capital discussed in the Funding, Liquidity and Members' Equity section.

Major components of the changes in net income for the six months ended June 30, 2019 compared to the same period in 2018 are outlined in the following table (in thousands):

Increase (decrease) in net income	2019 vs. 2018
Net interest income	**23,822**
Provision for credit losses	**7,129**
Noninterest income	**10,867**
Noninterest expense	**(10,314)**
Provision for income taxes, net	**455**
Total change in net income	**$31,959**

Net interest income was $383.1 million for the first six months of 2019 compared to $359.3 million for the first six months of 2018. The annualized net interest margin was 2.71 percent for the first six months of 2019, compared to 2.71 percent for the same period in 2018.

The effects on net interest income from changes in average volumes and rates are quantified in the following table for the six months ended June 30 (in thousands):

	2019 vs. 2018
Change in volume	**$24,369**
Change in rates	**(704)**
Change in nonaccrual income	**157**
Net change	**$23,822**

The variance in the provision for credit losses reflects our assessment of risk in the loan portfolio.

The increase in noninterest income was primarily due to an increase in wholesale patronage. In total, wholesale patronage increased as a result of patronage being paid at a higher rate compared to prior year. It is not expected that this higher rate will lead to significant changes in wholesale patronage at year end compared to prior year. The increase in noninterest expense was primarily due to salary, benefits and other expenses for increased staffing levels to support business initiatives, in addition to a Rural Business Investment Company (RBIC) equity adjustments.

Farm Credit Services of America recorded $6.7 million of operating expense credits under the income and expense sharing provisions of the alliance agreement in the first six months of 2019 compared to $6.8 million for the first six months of 2018. Refer to Note 1 in our 2018 Annual Report for additional information on the alliance.

Funding, Liquidity and Members' Equity

We borrow from AgriBank, FCB under a note payable, in the form of a line of credit. Our note payable matures in June 2020 at which time the note will be renegotiated. 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 Farm Credit Services of America is a stockholder of AgriBank, FCB we expect this borrowing relationship to continue into the foreseeable future.

Cost of funds associated with our note payable includes a marginal cost of debt component, a spread component, which includes cost of servicing, cost of liquidity, bank profit, and, if applicable, a risk premium component. However, we were not subject to a risk premium at June 30, 2019 or December 31, 2018.

Our members' equity increased to $5.808 billion at June 30, 2019 compared to $5.497 billion at December 31, 2018. The increase was due to the net income recorded for the first six months of 2019 and net issuance of capital stock.

Farm Credit Administration 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 Farm Credit Administration 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 9 in our 2018 Annual Report for a more complete description of these ratios. The capital adequacy ratios are directly impacted by the changes in capital as more fully discussed in this section and the changes in assets as discussed in the Loan Portfolio section.

	As of June 30, 2019	Regulatory Minimums	Capital Conservation Buffers	Total
Risk-adjusted:				
Common equity tier 1 ratio	**16.28%**	4.5%	2.5% *	7.0%
Tier 1 capital ratio	**16.28%**	6.0%	2.5% *	8.5%
Total capital ratio	**16.82%**	8.0%	2.5% *	10.5%
Permanent capital ratio	**16.39%**	7.0%	- %	7.0%
Non-risk-adjusted:				
Tier 1 leverage ratio	**17.42%**	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**18.05%**	1.5%	- %	1.5%

**The 2.5 percent capital conservation buffers over risk-adjusted ratio minimums is being phased in over three years under the Farm Credit Administration capital requirements. The phase in period ends on December 31, 2019.*

Certification

This report has been prepared under the oversight of the Board Audit Committee. The undersigned certify that they have reviewed this report and it has been prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate, and complete to the best of their knowledge and belief.

Mark Jensen President and CEO August 2, 2019	Jennifer L Zessin Chairperson, ACA Board of Directors August 2, 2019	Craig P. Kinnison Senior Vice-President and CFO August 2, 2019

Farm Credit Services of America, ACA
Consolidated Balance Sheet
(dollars in thousands)

	June 30, 2019 (unaudited)	December 31, 2018
ASSETS		
Loans	**$28,535,425**	$28,386,634
Allowance for loan losses	**163,000**	157,000
Net loans	**28,372,425**	28,229,634
Cash	**25,751**	108,956
Accrued interest receivable	**453,921**	467,920
Investment in AgriBank, FCB	**577,361**	569,657
Investment in AgDirect, LLP	**55,369**	54,914
Premises and equipment, net	**200,678**	189,454
Other property owned	**30,040**	33,615
Investment in RBIC	**18,452**	13,617
Deferred tax asset, net	**3,771**	4,120
Other assets	**154,330**	177,383
Total assets	**$29,892,098**	$29,849,270
LIABILITIES		
Notes payable	**$23,807,440**	$23,812,109
Accrued interest payable	**168,264**	156,539
Patronage payable	**-**	230,000
Reserve for unfunded lending commitments	**11,000**	10,000
Other liabilities	**97,295**	143,299
Total liabilities	**24,083,999**	24,351,947
MEMBERS' EQUITY		
At-risk capital:		
Class D common stock	**84,032**	81,426
Class E common stock	**3,531**	3,246
Retained earnings	**5,720,536**	5,412,651
Total members' equity	**5,808,099**	5,497,323
Total liabilities and members' equity	**$29,892,098**	$29,849,270

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

Farm Credit Services of America, ACA
Consolidated Statement of Income
(dollars in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	**2019**	2018
NET INTEREST INCOME				
Interest income	**$361,849**	$317,612	**$714,845**	$619,841
Interest expense	**168,294**	136,631	**331,737**	260,555
Net interest income	**193,555**	180,981	**383,108**	359,286
Provision for credit losses	**6,746**	6,395	**8,563**	15,692
Net interest income after provision for credit losses	**186,809**	174,586	**374,545**	343,594
NONINTEREST INCOME				
Patronage income from AgriBank, FCB	**41,573**	22,711	**63,648**	43,675
FCSIC Insurance Refund	**-**	-	**6,753**	16,215
Loan fees	**4,114**	4,224	**8,175**	9,089
Insurance services	**218**	2,275	**1,493**	3,165
AgDirect program fees	**10,534**	8,333	**20,319**	17,589
Patronage income from AgDirect, LLP	**2,793**	2,814	**5,344**	5,817
Servicing fee income from AgriBank, FCB	**142**	171	**292**	350
Other noninterest income	**1,797**	2,153	**4,326**	3,583
Total noninterest income	**61,171**	42,681	**110,350**	99,483
NONINTEREST EXPENSE				
Salaries and employee benefits	**56,071**	52,574	**112,809**	105,636
Occupancy and equipment expense	**7,552**	6,734	**14,929**	13,404
Insurance fund premiums	**5,637**	5,320	**11,193**	10,569
Other operating expenses	**17,483**	16,064	**31,046**	30,584
Loss on other property owned	**581**	(3)	**1,293**	1,556
Loss on RBIC	**1,562**	769	**1,562**	769
Total noninterest expense	**88,886**	81,458	**172,832**	162,518
Income before income taxes	**159,094**	135,809	**312,063**	280,559
Provision for income taxes	**1,839**	1,384	**4,055**	4,510
Net income	**$157,255**	134,425	**$308,008**	276,049

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

Farm Credit Services of America, ACA
Consolidated Statement of Changes in Members' Equity
(dollars in thousands)
(unaudited)

	At-risk Capital		
	Capital Stock	**Retained Earnings**	**Total Members' Equity**
Balance at December 31, 2017	$76,838	$5,009,588	$5,086,426
Net income		276,049	276,049
Patronage accrual adjustment		25	25
Capital stock:			
Issued	10,290		10,290
Retired	(5,988)		(5,988)
Balance at June 30, 2018	$81,140	$5,285,662	$5,366,802
Balance at December 31, 2018	$84,672	$5,412,651	$5,497,323
Net income		**308,008**	**308,008**
Patronage accrual adjustment		**(123)**	**(123)**
Capital stock:			
Issued	**7,989**		**7,989**
Retired	**(5,098)**		**(5,098)**
Balance at June 30, 2019	**$87,563**	**$5,720,536**	**$5,808,099**

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

Notes to Consolidated Financial Statements (unaudited)

Note 1 - Organization and Significant Accounting Policies

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. While our accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and the prevailing practices within the financial services industry, this interim Quarterly Financial Report is prepared based upon statutory and regulatory requirements and, accordingly, does not include all disclosures required by U.S. GAAP. The results of the six months ended June 30, 2019 are not necessarily indicative of the results to be expected for the year ended December 31, 2019. 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 2018 Annual Report for the year ended December 31, 2018.

The consolidated financial statements present the consolidated financial results of Farm Credit Services of America, ACA (the parent) and Farm Credit Services of America, FLCA and Farm Credit Services of America, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board issued ASU 2016-13 "Financial Instruments – Credit Losses". The guidance is effective for public business entities for non-United States Securities Exchange Commission filers for the first quarter of 2021 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 have no plans to early adopt this guidance. We have reviewed the accounting standard, selected our system and are in the process of drafting disclosures. Significant implementation matters yet to be addressed include system development and testing, drafting of accounting policies and designing processes and controls. We are currently unable to estimate the impact on the financial statements.

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02 "Leases." In July 2018, the Financial Accounting Standards Board issued ASU 2018-11 "Leases (Topic 842): Targeted Improvements." This guidance is effective for public business entities in its first quarter of 2019 and early adoption is permitted. The guidance modifies the recognition and accounting for lessees and lessors and requires expanded disclosures regarding assumptions used to recognize revenue and expenses related to leases. The guidance includes an optional transition method where an entity is permitted to apply the guidance as of the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings. We adopted this guidance on January 1, 2019. The adoption of this guidance did not have a material impact on our financial condition, results of operations or financial statement disclosures, and had no impact on cash flows.

Refer to Note 2 in our 2018 Annual Report for additional information on other accounting standards that have been issued but are not yet effective. We are currently evaluating the impact of the guidance on our Consolidated Financial Statements.

Note 2 – Loans and Allowance for Credit Losses

Loans consisted of the following (dollars in thousands):

	June 30, 2019		December 31, 2018	
	Amount	**Percentage**	Amount	Percentage
Long-term agricultural mortgage	**$16,465,789**	**57.7 %**	$16,450,204	58.0 %
Production and intermediate term	**6,560,798**	**23.0**	6,849,333	24.1
Agribusiness	**3,090,759**	**10.8**	2,705,832	9.5
Rural residential real estate	**1,445,595**	**5.1**	1,458,512	5.1
Rural infrastructure	**590,063**	**2.1**	512,843	1.8
Mission-related investments	**300,916**	**1.0**	328,405	1.2
Agricultural export finance	**81,505**	**0.3**	81,505	0.3
Total loans	**$28,535,425**	**100.0 %**	$28,386,634	100.0 %

Credit Quality

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

- acceptable – loans are expected to be fully collectible and represent the highest quality;
- other assets especially mentioned (OAEM) (special mention) – loans are currently collectible but exhibit some potential weakness;
- substandard – loans exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan;
- doubtful – loans 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; and
- loss – loans are considered uncollectible.

We had no loans categorized as loss at June 30, 2019 or December 31, 2018.

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 (dollars in thousands):

	As of June 30, 2019						
	Acceptable		**OAEM**		**Substandard/Doubtful**		**Total**
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**
Long-term agricultural mortgage	**$13,989,563**	**83.6%**	**$1,097,720**	**6.6%**	**$1,651,444**	**9.9%**	**$16,738,727**
Production and intermediate term	**4,896,829**	**73.3%**	**726,230**	**10.9%**	**1,057,984**	**15.8%**	**6,681,043**
Agribusiness	**2,985,581**	**96.1%**	**52,021**	**1.7%**	**70,161**	**2.3%**	**3,107,763**
Rural residential real estate	**1,322,511**	**90.9%**	**52,059**	**3.6%**	**80,932**	**5.6%**	**1,455,502**
Rural infrastructure	**576,225**	**96.7%**	**11,659**	**2.0%**	**8,099**	**1.4%**	**595,983**
Mission-related investments	**328,270**	**100.0%**	**-**	**-**	**-**	**-**	**328,270**
Agricultural export finance	**82,058**	**100.0%**	**-**	**-**	**-**	**-**	**82,058**
Total	**$24,181,037**	**83.4%**	**$1,939,689**	**6.7%**	**$2,868,620**	**9.9%**	**$28,989,346**

	As of December 31, 2018						
	Acceptable		OAEM		Substandard/Doubtful		Total
	Amount	%	Amount	%	Amount	%	Amount
Long-term agricultural mortgage	$14,163,020	84.56%	$1,056,063	6.30%	$1,530,258	9.14%	$16,749,341
Production and intermediate term	5,365,256	76.78%	643,034	9.20%	979,474	14.02%	6,987,764
Agribusiness	2,606,507	95.79%	28,815	1.06%	85,763	3.15%	2,721,085
Rural residential real estate	1,344,315	91.47%	55,431	3.77%	69,948	4.76%	1,469,694
Rural infrastructure	484,879	94.18%	21,129	4.11%	8,817	1.71%	514,825
Mission-related investments	329,771	100.00%	-	-	-	-	329,771
Agricultural export finance	82,074	100.00%	-	-	-	-	82,074
Total	$24,375,822	84.48%	$1,804,472	6.25%	$2,674,260	9.27%	$28,854,554

Delinquency

The following table provides an aging analysis of past due loans and related accrued interest receivable by loan type (in thousands):

As of June 30, 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 Loans**	**90 Days or More Past Due and Accruing**
Long-term agricultural mortgage	**$47,505**	**$39,724**	**$87,229**	**$16,651,498**	**$16,738,727**	**$8,501**
Production and intermediate term	**61,970**	**40,502**	**102,472**	**$6,578,571**	**6,681,043**	**6,204**
Agribusiness	**447**	**4,176**	**4,623**	**$3,103,140**	**3,107,763**	**126**
Rural residential real estate	**6,450**	**2,796**	**9,246**	**$1,446,256**	**1,455,502**	**-**
Rural infrastructure	**-**	**-**	**-**	**$595,983**	**595,983**	**-**
Mission-related investments	**17,946**	**3,300**	**21,246**	**$307,024**	**328,270**	**3,300**
Agricultural export finance	**-**	**-**	**-**	**$82,058**	**82,058**	**-**
Total	**$134,318**	**$90,498**	**$224,816**	**$28,764,530**	**$28,989,346**	**$18,131**

As of December 31, 2018	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 Loans	90 Days or More Past Due and Accruing
Long-term agricultural mortgage	$17,199	$ 19,762	$36,961	$16,712,380	$16,749,341	$296
Production and intermediate term	92,812	23,948	116,760	6,871,004	6,987,764	1,790
Agribusiness	5,472	2,468	7,940	2,713,145	2,721,085	-
Rural residential real estate	5,790	2,749	8,539	1,461,155	1,469,694	242
Rural infrastructure	-	-	-	514,825	514,825	-
Mission-related investments	4,644	4,317	8,961	320,810	329,771	4,317
Agricultural export finance	-	-	-	82,074	82,074	-
Total	$125,917	$53,244	$179,161	$28,675,393	$28,854,554	$6,645

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. Accruing loans include principal and interest. The following tables present information concerning risk loans (in thousands):

	As of June 30, **2019**	2018
Risk loans with specific allowance	**$ 51,211**	$ 38,235
Risk loans without specific allowance	**217,673**	206,997
Total risk loans	**$268,884**	$245,232
Total specific allowance	**$16,364**	$11,143

	For the six months ended June 30, **2019**	2018
Interest income recognized on nonaccrual loans	**$2,665**	$2,508
Interest income on risk accrual loans	**1,661**	1,467
Interest income recognized on risk loans	**$4,326**	$3,975
Average risk loans	**$279,591**	$237,374

There were approximately $7.1 million in commitments to lend additional funds to customers whose loans were at risk at June 30, 2019.

Troubled Debt Restructurings

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 troubled debt restructurings 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.

The following table presents information regarding troubled debt restructurings that occurred during the period ended June 30 (in thousands):

	2019		2018	
	Premodification Outstanding Recorded Investment	**Postmodification Outstanding Recorded Investment**	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Long-term agricultural mortgage	**$583**	**$583**	$1,813	$1,813
Production and intermediate term	**1,403**	**1,049**	1,775	1,772
Total	**$1,986**	**$1,632**	$3,588	$3,585

Pre-modification outstanding represents the recorded investment just prior to restructuring, and post-modification outstanding represents the recorded investment immediately following the restructuring. The recorded investment is the face 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 following table presents information regarding troubled debt restructurings that occurred within the previous twelve months for which there was a subsequent payment default during the period ended June 30 (in thousands):

	2019	2018
	Recorded Investment	Recorded Investment
Production and intermediate term	**$1,150**	$-
	$1,150	$-

Troubled debt restructurings outstanding at June 30, 2019, totaled $62.8 million, of which $26.9 million were in nonaccrual status. There were $3.3 million in additional commitments to lend to borrowers whose loans have been modified in a troubled debt restructuring at June 30, 2019.

Allowance for Loan Losses

An analysis of changes in the allowance for credit losses follows (in thousands):

Allowance for loan losses	June 30, 2019	2018
Balance at beginning of year	**$157,000**	$130,000
Provision for loan losses	**7,563**	15,691
Charge-offs	**(3,499)**	(2,779)
Recoveries	**1,936**	1,088
Balance at end of quarter	**$163,000**	$144,000

Reserve for unfunded lending commitments	June 30, 2019	2018
Balance at beginning of year	**$10,000**	$11,000
Provision for unfunded lending commitments	**1,000**	-
Balance at end of quarter	**$11,000**	$11,000

We recorded a $8.6 million provision for credit losses for the first six months of 2019, as compared with $15.7 million during the first six months of 2018. The rate of credit deterioration in several portfolios has slowed leading to a more modest provision expense compared to the first six months of 2018. Net charge-offs for the first six months of 2019 were $1.6 million compared to net charge offs of $1.7 million in the same period a year ago.

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

Note 3 – Investment in Rural Business Investment Company

We and other Farm Credit System institutions are among the limited partners invested in four Rural Business Investment Companies (RBICs). The RBICs facilitate equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. Our current total commitment is $50 million with varying commitment end dates through November 2023. Certain commitments may have an option to extend under specific circumstances. Our investment in the RBICs totaled $18.5 million at June 30, 2019 as compared to $13.6 million at December 31, 2018.

Note 4 – 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 levels of inputs that may be used to measure fair value. Refer to Note 2 in our 2018 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, 2019, or December 31, 2018. We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. Information on assets measured at fair value on a non-recurring basis is as follows (in thousands):

	Fair Value Measurement Using			
As of June 30, 2019	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Loans	-	-	**$45,344**	**$45,344**
Other property owned	-	-	**$36,466**	**$36,466**

	Fair Value Measurement Using			
As of December 31, 2018	Level 1	Level 2	Level 3	Total Fair Value
Loans	-	-	$17,836	$17,836
Other property owned	-	-	$39,957	$39,957

Impaired loans: Represents the carrying amount and related write-downs 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 fall under 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 fall under Level 3.

Other property owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value 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 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 fall under Level 3.

Note 5- Commitments and Contingencies

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 accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

From time to time, 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, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

We are among the forming limited partners in a Rural Business Investment Company. Refer to Note 3 for additional discussion.

Note 6- Subsequent Events

We have evaluated subsequent events through August 2, 2019 which is the date the 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.