First Quarter 2019
Report to Shareholders

Farm Credit Services of Colusa-Glenn, ACA

310 6th Street, P.O. Box 449
Colusa, California 95932
Phone: (530) 458-2163 Fax: (530) 458-2614

201-B North Tehama Street, P.O. Box 350
Willows, CA 95988
Phone: (530) 934-7086 Fax: (530) 934-2349

Website: http://www.fcscolusaglenn.com

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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 Farm Credit Services of Colusa-Glenn, ACA (the "Association") and subsidiaries for the three months ended March 31, 2019, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2018 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

The shareholders' investment in Farm Credit Services of Colusa-Glenn, ACA is materially affected by the financial condition and results of operations of CoBank, ACB, (CoBank). The 2018 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 Farm Credit Services of Colusa-Glenn, ACA, 310 6th Street, P.O. Box 449, Colusa, California 95932, or calling (530) 458-2163.

GENERAL

We have continued to grow our loan portfolio, maintain good credit quality, and remain well capitalized through the quarter ended March 31, 2019. Our success is due to our conservative lending approach, the financial stability and support of our member-base, and proactive portfolio management. There have been challenges that the Association and its members have had to overcome in the past few years including commodity price volatility and rising interest rates. Commodity prices across the United States have experienced significant volatility over the past four years. This volatility has been driven, in part, by the strength of the U.S. dollar compared to foreign currencies, decreased global demand for our exports, deterioration or slowing of growth in global economies, tariff disputes between the U.S., China and others, and negative net farm income trends in the U.S.

During this period, prices for rice, almonds and walnuts fell along with prices for other miscellaneous crops we finance. Our primary concern with respect to commodity price volatility is its impact to our borrower's financial position and collateral values. Overall, market pricing on rice, almonds and walnuts has improved though not to the record levels reached in recent years. We feel that our approach to credit analysis when originating and renewing crop loans for these commodities reflects a conservative approach to prices; however, we also acknowledge that these markets remain somewhat volatile. We continue to monitor changes in market conditions for rice, almonds, walnuts and landlords, as well as the remainder of the portfolio. We are optimistic that the Federal Open Market Committee (FOMC) will be more dovish with respect to interest rates and monetary policy throughout the remainder of 2019, possibly holding off on further rate increases until the U.S. economy indicates an adjustment is needed.

LOAN PORTFOLIO

Loans outstanding at March 31, 2019, totaled $383.3 million, a decrease of $33.9 million, or 8.1%, from loans of $417.2 million at December 31, 2018. The decrease was attributable to seasonal loan repayments on commercial loans, scheduled annual mortgage payments, loan payoffs, and delayed advances on lines of credit to borrowers for preparation and planting of rice due to heavy rainfall and wet conditions within the territories we serve.

OTHER PROPERTY OWNED

Other property owned is real or personal property that has been acquired through foreclosure, deed in lieu of foreclosure or other means. The Association had no other property owned as of March 31, 2019, and December 31, 2018.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2019, was $2.3 million, an increase of $184 thousand, or 8.5%, from $2.2 million for the three months ended March 31, 2018. This increase is primarily attributable to an increase in net interest income driven by loan growth year over year, offset by increased noninterest expense.

Net interest income for the three months ended March 31, 2019, was $3.2 million, an increase of $479 thousand, or 17.9%, from $2.7 million for the three months ended March 31, 2018. The increase is primarily attributable to increased average loan volume.

The reversal of credit losses for the three months ended March 31, 2019, was $178 thousand compared with the reversal of credit losses of $217 thousand for the three months ended March 31, 2018. The reversal of credit losses for the three months ended March 31, 2019, resulted primarily from a decrease in commercial loan volume from December 31, 2018. The reversal of credit losses for the three months ended March 31, 2018, resulted primarily from decrease in commercial loan volume from December 31, 2017, offset by increased reserves for additional stress on the portfolio due to commodity price pressure and frost and water availability concerns within the territories we serve.

Noninterest income for the three months ended March 31, 2019, was $483 thousand, a decrease of $66 thousand, or 12.0%, from $549 thousand for the three months ended March 31, 2018. Noninterest income decreased primarily due to a refund of $78 thousand from Farm Credit System Insurance Corporation (FCSIC) received during the three months ended March 31, 2019, compared to a refund of $183 thousand received during the same period one year ago. The refunds are our portion of excess funds above the secure base amount in the FCSIC Allocated Insurance Reserve Accounts. Refer to the 2018 Annual Report to Shareholders for additional information. This decrease was partially offset by increased loan fee income related to participations purchased.

We received mineral income of $1 thousand during the first three months of 2019, which is distributed to us quarterly by CoBank.

Noninterest expense for the three months ended March 31, 2019, was $1.4 million, an increase of $199 thousand, or 16.3%, from $1.2 million for the three months ended March 31, 2018. Noninterest expense increased primarily due to an increase in purchased services, occupancy and equipment expense, and other noninterest expense. Purchased services increased year over year due to higher costs related to internal audit fees, information technology support services, human resources and payroll services and appraisal review services. Occupancy and equipment expense increased due to an increase in our rental costs for our Colusa branch office. Other noninterest expense increased due to a decrease in our standard loan origination costs.

CAPITAL RESOURCES

Our shareholders' equity at March 31, 2019, was $111.7 million, an increase of $1.8 million, or 1.7%, from shareholders' equity of $109.9 million at December 31, 2018. This increase is due to net income offset by accrued patronage distributions.

FORWARD LOOKING INFORMATION

This discussion contains forward looking statements. These statements are not guarantees of future performance; future operations involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," or "will" are intended to identify forward-looking statements. These statements are based on management's assumptions and analyses made in light of experience and other historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. Readers are cautioned not to place undue reliance on these forward-looking statements. We will not update any forward-looking statements to reflect events or circumstances arising after they are made.

CERTIFICATION

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.

Michael Doherty
Chairman of the Board
May 10, 2019

Tim Elrod
President & Chief Executive Officer
May 10, 2019

Amy Ceballos
Chief Financial Officer
May 10, 2019

CONSOLIDATED STATEMENT OF CONDITION
(In Thousands)

	March 31, 2019 *Unaudited*	December 31, 2018 *Audited*
ASSETS		
Loans	$ 383,349	$ 417,227
Less allowance for loan losses	1,666	1,898
Net loans	381,683	415,329
Cash	550	2,702
Accrued interest receivable	5,036	5,857
Investment in CoBank, ACB	10,378	10,337
Premises and equipment, net	533	526
Other assets	1,217	2,366
Total assets	$ 399,397	$ 437,117
LIABILITIES		
Note payable to CoBank, ACB	$ 245,376	$ 296,154
Advance conditional payments	37,163	21,773
Accrued interest payable	591	304
Patronage distributions payable	482	2,000
Accrued benefits liability	101	101
Deferred tax liability	142	142
Unfunded disbursements	149	900
Reserve for unfunded commitments	353	247
Other liabilities	3,294	5,611
Total liabilities	287,651	327,232
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock and participation certificates	516	516
Unallocated retained earnings	111,230	109,369
Total shareholders' equity	111,746	109,885
Total liabilities and shareholders' equity	$ 399,397	$ 437,117

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited and in Thousands)

	For the Three Months Ended March 31	
	2019	2018
INTEREST INCOME		
Loans	$ 5,127	$ 4,020
Total interest income	5,127	4,020
INTEREST EXPENSE		
Note payable to CoBank	1,783	1,264
Other	188	79
Total interest expense	1,971	1,343
Net interest income	3,156	2,677
Reversal of credit loss	(178)	(217)
Net interest income after reversal of credit loss	3,334	2,894
NONINTEREST INCOME		
Financially related services income	2	2
Patronage distribution from Farm Credit Institutions	338	349
Farm Credit Insurance Fund distribution	78	183
Mineral income	1	-
Other noninterest income	64	15
Total noninterest income	483	549
NONINTEREST EXPENSE		
Salaries and employee benefits	718	741
Occupancy and equipment	68	52
Purchased services	244	191
Farm Credit Insurance Fund premium	55	50
Supervisory and examination costs	44	43
Data processing services	241	200
Other noninterest expense	52	(54)
Total noninterest expense	1,422	1,223
Income before income taxes	2,395	2,220
Provision for income taxes	52	61
Net income/Comprehensive income	$ 2,343	$ 2,159

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited and in Thousands)

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2017	$ 534	$ 102,906	$ 103,440
Net income/Comprehensive income		2,159	2,159
Capital stock and participation certificates issued	23		23
Capital stock and participation certificates retired	(25)		(25)
Patronage distributions: Cash		(220)	(220)
Balance at March 31, 2018	$ 532	$ 104,845	$ 105,377
Balance at December 31, 2018	$ 516	$ 109,369	$ 109,885
Net income/Comprehensive income		2,343	2,343
Capital stock and participation certificates issued	9		9
Capital stock and participation certificates retired	(9)		(9)
Patronage distributions: Cash		(482)	(482)
Balance at March 31, 2019	**$ 516**	**$ 111,230**	**$ 111,746**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited and in Thousands, Except Where Noted)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Farm Credit Services of Colusa-Glenn, 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, 2018, are contained in the 2018 Annual Report to Shareholders. These unaudited first quarter 2019 financial statements should be read in conjunction with the 2018 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, 2018, as contained in the 2018 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, 2019. Descriptions of the significant accounting policies are included in the 2018 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.

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 becomes 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. Early adoption is permitted. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The Association is evaluating the impact of adoption on the Association’s financial condition and 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 becomes effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted and an entity is permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The adoption of this guidance will not impact the Association’s financial condition or its results of operations, but will impact the fair value measurements disclosures. The Association early adopted the removal and modified disclosures during the fourth quarter of 2018.

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 becomes effective for interim and annual periods beginning after December 15, 2020, with early application permitted. The Association is evaluating the impact of adoption on its financial condition and results of operations.

In February 2016, the FASB issued guidance entitled "Leases." The guidance requires the recognition by lessees of lease assets and lease liabilities on the balance sheet for the rights and obligations created by those leases. Leases with lease terms of more than 12 months are impacted by this guidance. In July 2018, the FASB issued an update entitled "Leases – Targeted Improvements," which provides entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. An entity that elects this additional transition method must provide the required disclosures of the now current standard for all prior periods presented. The guidance and related amendments in this update became effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The Association has evaluated the impact of adoption on its financial condition and results of operations and has determined it is immaterial.

Certain amounts in the prior period financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

Loan Portfolio

A summary of the Association's loan portfolio as of March 31, 2019, and December 31, 2018, is as follows:

	March 31, 2019			December 31, 2018		
	Principal	Interest	Total	Principal	Interest	Total
Real estate mortgage	$ 246,016	$ 4,077	$ 250,093	$ 244,375	$ 4,593	$ 248,968
Production and intermediate-term	60,285	679	60,964	99,370	857	100,227
Agribusiness	66,504	270	66,774	62,256	393	62,649
Rural infrastructure	10,544	10	10,554	11,226	14	11,240
Total loans	$ 383,349	$ 5,036	$ 388,385	$ 417,227	$ 5,857	$ 423,084

Participations Purchased and Sold

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 tables present information regarding the principal balances of participations purchased and sold as of March 31, 2019, and December 31, 2018:

	March 31, 2019	
	Purchased	Sold
Other Farm Credit Institutions:		
Real estate mortgage	$ 41,664	$ 34,858
Production and intermediate-term	5,526	9,772
Agribusiness	40,737	9,282
Rural infrastructure	10,545	-
Total	$ 98,472	$ 53,912

	December 31, 2018	
	Purchased	Sold
Other Farm Credit Institutions:		
Real estate mortgage	$ 42,564	$ 33,338
Production and intermediate-term	5,542	11,376
Agribusiness	37,086	12,263
Rural infrastructure	11,226	-
Total	$ 96,418	$ 56,977

The Association had no participation interests purchased from or sold to Non-Farm Credit Institutions at March 31, 2019, and December 31, 2018.

Loans by Credit Class

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 mention (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 as of March 31, 2019, and December 31, 2018:

	March 31, 2019	December 31, 2018
Real estate mortgage:		
Acceptable	97.44%	97.42%
OAEM	0.76%	0.79%
Substandard	1.80%	1.79%
Subtotal	100.00%	100.00%
Production and intermediate-term:		
Acceptable	95.70%	96.85%
OAEM	1.45%	1.52%
Substandard	2.85%	1.63%
Subtotal	100.00%	100.00%
Agribusiness:		
Acceptable	87.95%	99.88%
OAEM	0.10%	0.12%
Substandard	11.95%	0.00%
Subtotal	100.00%	100.00%
Rural infrastructure		
Acceptable	100.00%	100.00%
Subtotal	100.00%	100.00%
Total Loans:		
Acceptable	95.60%	97.72%
OAEM	0.74%	0.84%
Substandard	3.66%	1.44%
Total	100.00%	100.00%

High Risk Assets

High risk assets consist of impaired loans and other property owned. These nonperforming assets (including related accrued interest) and related credit quality as of March 31, 2019, and December 31, 2018, are as follows:

	March 31, 2019	December 31, 2018
Nonaccrual loans:		
Production and intermediate-term	$ 1	$ 1
Total nonaccrual loans	1	1
Accruing loans 90 days past due:		
Production and intermediate-term	333	-
Total accruing loans 90 days past due	333	-
Total high risk assets	$ 334	$ 1

The Association had no accruing restructured loans and no other property owned for the periods presented.

Impaired Loan Information

Additional impaired loan information as of March 31, 2019, and December 31, 2018, is as follows:

	March 31, 2019	
	Recorded Investment	Unpaid Principal Balance
Impaired loans with no related allowance for credit losses		
Production and intermediate-term	$ 334	$ 1,712
Total	$ 334	$ 1,712

	December 31, 2018	
	Recorded Investment	Unpaid Principal Balance
Impaired loans with no related allowance for credit losses		
Production and intermediate-term	$ 1	$ 1,423
Total	$ 1	$ 1,423

There were no impaired loans with a related allowance for credit losses as of March 31, 2019, and December 31, 2018.

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.

The following table provides average impaired loans:

	For the Three Months Ended March 31, 2019		For the Three Months Ended March 31, 2018	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	$ -	$ -	$ 339	$ -
Production and intermediate-term	323	2	2	-
Total	$ 323	$ 2	$ 341	$ -

Past Due Loans

The following tables provide an age analysis of past due loans (including accrued interest) as of March 31, 2019, and December 31, 2018:

As of March 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	Recorded Investment in Loans Outstanding	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 3,075	$ -	$ 3,075	$ 247,018	$ 250,093	$ -
Production and intermediate-term	1,612	333	1,945	59,019	60,964	333
Agribusiness	78	-	78	66,696	66,774	-
Rural infrastructure	-	-	-	10,554	10,554	-
Total	$ 4,765	$ 333	$ 5,098	$ 383,287	$ 388,385	$ 333

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	Recorded Investment in Loans Outstanding	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ -	$ -	$ -	$ 248,968	$ 248,968	$ -
Production and intermediate-term	120	-	120	100,107	100,227	-
Agribusiness	-	-	-	62,649	62,649	-
Rural infrastructure	-	-	-	11,240	11,240	-
Total	$ 120	$ -	$ 120	$ 422,964	$ 423,084	$ -

Allowance for Loan Losses

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

	Balance at December 31, 2018	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2019
Real estate mortgage	$ 465	$ -	$ -	$ (168)	$ 297
Production and intermediate-term	1,175	(14)	66	(436)	791
Agribusiness	225	-	-	317	542
Rural infrastructure	33	-	-	3	36
Total	$ 1,898	$ (14)	$ 66	$ (284)	$ 1,666

	Balance at December 31, 2017	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2018
Real estate mortgage	$ 497	$ -	$ -	$ (12)	$ 485
Production and intermediate-term	1,172	-	80	(337)	915
Agribusiness	141	-	-	101	242
Rural infrastructure	42	-	-	(2)	40
Total	$ 1,852	$ -	$ 80	$ (250)	$ 1,682

Reserve for Unfunded Commitments

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 for 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 March 31	
	2019	2018
Balance at beginning of period	$ 247	$ 135
Provision for unfunded commitments	106	33
Total	$ 353	$ 168

Individual and Collective Impairment Evaluation

A summary of the Association's individual and collective impairment evaluation as of March 31, 2019, and December 31, 2018, is as follows (including accrued interest):

	Allowance for Credit Losses		Recorded Investments in Loans Outstanding		
As of March 31, 2019	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Real estate mortgage	$ -	$ 297	$ -	$ 250,093	$ 250,093
Production and intermediate-term	-	791	334	60,630	60,964
Agribusiness	-	542	-	66,774	66,774
Rural infrastructure	-	36	-	10,554	10,554
Total	$ -	$ 1,666	$ 334	$ 388,051	$ 388,385

	Allowance for Credit Losses		Recorded Investments in Loans Outstanding		
As of December 31, 2018	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Real estate mortgage	$ -	$ 465	$ -	$ 248,968	$ 248,968
Production and intermediate-term	-	1,175	1	100,226	100,227
Agribusiness	-	225	-	62,649	62,649
Rural infrastructure	-	33	-	11,240	11,240
Total	$ -	$ 1,898	$ 1	$ 423,083	$ 423,084

Troubled Debt Restructuring

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 three months ended March 31, 2019. The Association had no TDRs within the previous 12 months and for which there were subsequent payment defaults during the first three months of 2019 and 2018.

NOTE 3 - CAPITAL

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

	As of March 31, 2019	As of December 31, 2018	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	22.2%	21.0%	4.5%	2.5% *	7.0%
Tier 1 capital ratio	22.2%	21.0%	6.0%	2.5% *	8.5%
Total capital ratio	22.7%	21.4%	8.0%	2.5% *	10.5%
Permanent capital ratio	22.3%	21.3%	7.0%	-	7.0%
Non-risk-adjusted					
Tier 1 leverage ratio	25.6%	23.5%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	26.2%	24.1%	1.5%	-	1.5%

* The 2.5% capital conservation buffer over risk-adjusted ratio minimums will be phased in over three years under the FCA capital requirements.

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. The current regulations establish a three-year phase-in of the capital conservation buffer, which began on January 1, 2017. There will be no phase-in of the leverage buffer.

The Association issues the following classes of common stock: class C common stock and class F non-voting stock. At March 31, 2019, the required common investment was the lesser of $1 thousand or 2% of loan volume per voting stockholder.

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 to the 2018 Annual Report to Shareholders for a more complete description.

The Association has assets held in nonqualified benefit trusts measured at fair value on a recurring basis that are determined to be Level 1 of $1 at March 31, 2019, and December 31, 2018.

The Association had no assets or liabilities measured at fair value on a non-recurring basis at March 31, 2019, or December 31, 2018.

Valuation Techniques

As more fully discussed in Note 2 to the 2018 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.

Assets Held in Non-Qualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 10, 2019, which is the date the financial statements were issued, and no material subsequent events were identified.

COLUSA-GLENN
FARM CREDIT