COLUSA-GLENN FARM CREDIT

Third Quarter 2018
Report to Shareholders

Farm Credit Services of Colusa-Glenn, ACA

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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 nine months ended September 30, 2018, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2017 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 2017 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 maintain a strong portfolio through the nine months ended September 30, 2018. Despite some deterioration, our outstanding credit quality is a direct result of the overall financial stability of our members and the health of our local agricultural markets. Our lending approach ensures that we attract loan opportunities with high credit quality, while operating in a safe and sound manner. Overall, the Association has continued to return strong profits for the first nine months of 2018.

The commodities we service have experienced significant price volatility over the past three years. Pricing has improved over the past two years and we are cautiously optimistic that this trend will continue, strengthening our borrowers' financial position and collateral values supporting our loans.

LOAN PORTFOLIO

Loans outstanding at September 30, 2018, totaled $405.1 million, an increase of $14.3 million, or 3.7%, from loans of $390.8 million at December 31, 2017. The increase was primarily attributable to net participation purchased loan volume growth, which has increased $18.1 million, or 70.6% since December 31, 2017. This increase is partially offset by seasonal payments on commercial loans, scheduled annual mortgage payments, and loan payoffs.

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 did not own any other property as of September 30, 2018, and December 31, 2017.

RESULTS OF OPERATIONS

Net income for the nine months ended September 30, 2018, was $6.1 million, an increase of $761 thousand, or 14.1%, from $5.4 million for the nine months ended September 30, 2017. This increase is primarily attributable to an increase in net interest income and noninterest income offset by the recording of provision for credit loss and an increase in noninterest expense.

Net interest income for the nine months ended September 30, 2018, was $8.5 million, an increase of $1.1 million, or 15.4%, from $7.4 million for the nine months ended September 30, 2017. The increase is primarily attributable to increased average loan volume from September 30, 2017.

The provision for credit losses for the nine months ended September 30, 2018, was $47 thousand, compared with the reversal of credit losses of $467 thousand for the same period ended one year ago. The provision for credit losses for the nine months ended September 30, 2018, is primarily due to an increase in loan volume, which has increased $42.7 million from September 30, 2017. The Association also increased reserves due to deterioration of credit quality in the loan portfolio resulting from commodity price volatility over the past three years as well as elevated concern about certain crop yields for 2018. The reversal of credit losses for the nine months ended September 30, 2017, was due to decreased commercial loan volume from December 31, 2016.

Noninterest income for the nine months ended September 30, 2018, was $1.4 million, an increase of $546 thousand, or 65.2%, from $838 thousand for the nine months ended September 30, 2017. Noninterest income increased partly due to a refund of $183 thousand from Farm Credit System Insurance Corporation (FCSIC). This is our portion of excess funds above the secure base amount in the FCSIC Allocated Insurance Reserve Accounts. There was no such refund in 2017. Refer to the 2017 Annual Report to Shareholders for additional information. Adding to this increase was $362 thousand in additional patronage income from CoBank, with $196 thousand relating to an increase in the average net note payable for the nine months ended September 30, 2018. The remaining increase of $166 thousand was due to a special cash patronage payment from CoBank related predominately to savings generated from federal tax reform legislation passed at the end of 2017.

We received mineral income of $2 thousand during the first nine months of 2018, which is distributed to us quarterly by CoBank.

Noninterest expense for the nine months ended September 30, 2018, was $3.7 million, an increase of $590 thousand, or 19.0%, from $3.1 million for the nine months ended September 30, 2017. Noninterest expense increased primarily due to an increase in salaries and benefits costs resulting from our incentive plan accrual and an increase in purchased services for appraisals and internal audit. These increases were partially offset by a decrease in the FCSIC premiums over the prior year period resulting from a decrease in the premium assessment rate.

CAPITAL RESOURCES

Our shareholders' equity at September 30, 2018, was $108.2 million, an increase of $4.8 million, or 4.6%, from shareholders' equity of $103.4 million at December 31, 2017. This increase is due to net income offset by accrued patronage distributions and net stock retirements during 2018.

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
November 9, 2018

Robert Faris
President & Chief Executive Officer
November 9, 2018

Amy Ceballos
Chief Financial Officer
November 9, 2018

CONSOLIDATED STATEMENT OF CONDITION
(In Thousands)

	September 30, 2018 *Unaudited*	December 31, 2017 *Audited*
ASSETS		
Loans	$ 405,116	$ 390,771
Less allowance for loan losses	1,926	1,852
Net loans	403,190	388,919
Cash	1,145	6,425
Accrued interest receivable	8,264	4,947
Investment in CoBank, ACB	10,337	10,316
Premises and equipment, net	528	541
Other assets	4,201	1,805
Total assets	$ 427,665	$ 412,953
LIABILITIES		
Note payable to CoBank, ACB	$ 286,144	$ 276,590
Advance conditional payments	29,076	23,390
Accrued interest payable	515	505
Patronage distributions payable	1,377	1,000
Accrued benefits liability	102	104
Deferred tax liability	226	222
Unfunded disbursements	340	882
Reserve for unfunded commitments	191	135
Other liabilities	1,494	6,685
Total liabilities	319,465	309,513
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock and participation certificates	522	534
Unallocated retained earnings	107,678	102,906
Total shareholders' equity	108,200	103,440
Total liabilities and shareholders' equity	$ 427,665	$ 412,953

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 September 30		*For the Nine Months Ended September 30*	
	2018	2017	2018	2017
INTEREST INCOME				
Loans	$ 4,874	$ 4,020	$ 13,202	$ 10,728
Total interest income	4,874	4,020	13,202	10,728
INTEREST EXPENSE				
Note payable to CoBank	1,638	1,224	4,364	3,136
Other	116	82	300	195
Total interest expense	1,754	1,306	4,664	3,331
Net interest income	3,120	2,714	8,538	7,397
Provision for credit loss/(Reversal of credit loss)	33	(148)	47	(467)
Net interest income after provision for credit loss/reversal of credit loss	3,087	2,862	8,491	7,864
NONINTEREST INCOME				
Financially related services income	-	1	6	8
Patronage refund from Farm Credit Institutions	511	291	1,155	793
Farm Credit Insurance Fund distribution	-	-	183	-
Mineral income	-	1	2	3
Other noninterest income	4	6	38	34
Total noninterest income	515	299	1,384	838
NONINTEREST EXPENSE				
Salaries and employee benefits	708	617	2,215	1,910
Occupancy and equipment	65	34	164	104
Purchased services	207	131	579	438
Farm Credit Insurance Fund premium	56	84	153	225
Supervisory and examination costs	35	34	120	114
Data processing services	198	164	596	538
Other noninterest expense	(9)	(43)	(125)	(217)
Total noninterest expense	1,260	1,021	3,702	3,112
Income before income taxes	2,342	2,140	6,173	5,590
(Benefit from)/Provision for income taxes	(4)	128	24	202
Net income/Comprehensive income	$ 2,346	$ 2,012	$ 6,149	$ 5,388

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, 2016	$ 563	$ 96,819	$ 97,382
Net income/Comprehensive income		5,388	5,388
Capital stock and participation certificates issued	65		65
Capital stock and participation certificates retired	(88)		(88)
Patronage distributions: Cash		(635)	(635)
Balance at September 30, 2017	$ 540	$ 101,572	$ 102,112
Balance at December 31, 2017	$ 534	$ 102,906	$ 103,440
Net income/Comprehensive income		6,149	6,149
Capital stock and participation certificates issued	55		55
Capital stock and participation certificates retired	(67)		(67)
Patronage distributions: Cash		(1,377)	(1,377)
Balance at September 30, 2018	**$ 522**	**$ 107,678**	**$ 108,200**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Thousands, Except as Noted)
(Unaudited)

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, 2017, are contained in the 2017 Annual Report to Shareholders. These unaudited third quarter 2018 financial statements should be read in conjunction with the 2017 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, 2017, as contained in the 2017 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, 2018. Descriptions of the significant accounting policies are included in the 2017 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.

In February 2018, the FASB issued guidance entitled "Income Statement — Reporting Comprehensive Income — Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." This guidance allows for the reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the recently issued tax legislation, Tax Cuts and Jobs Act (TCJA) that lowered the federal corporate tax rate from 35 percent to 21 percent. The amount of the reclassification shall include the effect of the change in the tax rate on gross deferred tax amounts and related valuation allowances at the date of enactment of the TCJA related to items remaining in accumulated other comprehensive income. The guidance becomes effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Association early adopted this standard during the first quarter of 2018, and there was no impact on the Association's financial condition or results of operations.

In March 2017, the FASB issued guidance entitled "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost." The guidance requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. This guidance became effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not materially impact the Association's financial condition or results of operations.

In August 2016, the FASB issued guidance entitled "Classification of Certain Cash Receipts and Cash Payments." The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing. This guidance became effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not impact the Association's financial condition or its results of operations.

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 currently 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 become effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The Association has evaluated the impact of adoption and does not expect it to materially impact its financial condition and result of operations.

In January 2016, the FASB issued guidance entitled "Recognition and Measurement of Financial Assets and Liabilities." The guidance affects, among other things, the presentation and disclosure requirements for financial instruments. For public entities, the guidance eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments carried at amortized cost. This guidance became effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not impact the Association's financial condition or its results of operations.

In May 2014, the FASB issued guidance entitled, "Revenue from Contracts with Customers." The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. The guidance sets forth the requirement for new and enhanced disclosures. The Association adopted the new standard effective January 1, 2018, using the modified retrospective approach. As the majority of the Association's revenues are not subject to the new guidance, the adoption of the guidance did not have a material impact on the financial position, results of operations, equity or cash flows.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

Loan Portfolio

A summary of the Association's loan portfolio as of September 30, 2018, and December 31, 2017, is as follows:

	September 30, 2018			December 31, 2017		
	Principal	Interest	Total	Principal	Interest	Total
Real estate mortgage	$ 242,824	$ 6,597	$ 249,421	$ 212,537	$ 3,890	$ 216,427
Production and intermediate-term	90,564	1,092	91,656	108,483	779	109,262
Agribusiness	59,961	560	60,521	60,154	263	60,417
Rural infrastructure	11,767	15	11,782	9,597	15	9,612
Total loans	$ 405,116	$ 8,264	$ 413,380	$ 390,771	$ 4,947	$ 395,718

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 September 30, 2018, and December 31, 2017:

	September 30, 2018		December 31, 2017	
	Purchased	Sold	Purchased	Sold
Other Farm Credit Institutions:				
Real estate mortgage	$ 37,165	$ 26,872	$ 13,813	$ 15,686
Production and intermediate-term	4,814	9,535	2,237	10,194
Agribusiness	35,438	8,944	28,544	2,622
Rural infrastructure	11,767	-	9,597	-
Total	$ 89,184	$ 45,351	$ 54,191	$ 28,502

The Association had no participation interests purchased from or sold to Non-Farm Credit Institutions at September 30, 2018, and December 31, 2017 .

Beginning in the third quarter of 2018, the Association obtained credit enhancements by entering into Standby Commitment to Purchase Agreements (Agreements) with Federal Agricultural Mortgage Corporation (Farmer Mac), covering loans with principal balance outstanding of $6.9 million at September 30, 2018. Under the Agreements, Farmer Mac agrees to purchase loans from the Association in the event of default (typically four months past due), subject to certain conditions, thereby mitigating the risk of loss from covered loans. In return, the Association pays Farmer Mac commitment fees based on the outstanding balance of loans covered by the Agreements. Such fees, totaling $6 thousand for 2018 are reflected in noninterest expense.

Loans by Credit Class

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 September 30, 2018, and December 31, 2017:

	September 30, 2018	December 31, 2017
Real estate mortgage:		
Acceptable	97.29%	97.86%
OAEM	1.98%	1.56%
Substandard	0.73%	0.58%
Subtotal	100.00%	100.00%
Production and intermediate-term:		
Acceptable	97.04%	98.65%
OAEM	1.73%	0.95%
Substandard	1.23%	0.40%
Subtotal	100.00%	100.00%
Agribusiness:		
Acceptable	100.00%	100.00%
Subtotal	100.00%	100.00%
Rural infrastructure		
Acceptable	100.00%	100.00%
Subtotal	100.00%	100.00%
Total Loans:		
Acceptable	97.71%	98.46%
OAEM	1.58%	1.11%
Substandard	0.71%	0.43%
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 September 30, 2018, and December 31, 2017, are as follows:

	September 30, 2018	December 31, 2017
Nonaccrual loans:		
Real estate mortgage	$ 339	$ 339
Production and intermediate-term	1	2
Total nonaccrual loans	340	341
Total high risk assets	$ 340	$ 341

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

Impaired Loan Information

Additional impaired loan information as of September 30, 2018, and December 31, 2017, is as follows:

	September 30, 2018		December 31, 2017	
	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance
Impaired loans with no related allowance for credit losses				
Real estate mortgage	$ 339	$ 355	$ 339	$ 355
Production and intermediate-term	1	1,423	2	1,704
Total impaired loans with no related allowance for credit losses	$ 340	$ 1,778	$ 341	$ 2,059

There were no impaired loans with a related allowance for credit losses as of September 30, 2018, and December 31, 2017.

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 September 30, 2018		For the Three Months Ended September 30, 2017	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	$ 502	$ -	$ 391	$ 4
Production and intermediate-term	332	9	1,072	8
Total impaired loans with no related allowance for credit losses	$ 834	$ 9	$ 1,463	$ 12

	For the Nine Months Ended September 30, 2018		For the Nine Months Ended September 30, 2017	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Production and intermediate-term	$ -	$ -	$ 12	$ -
Total impaired loans with a related allowance for credit losses	-	-	12	-
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	397	-	274	13
Production and intermediate-term	123	9	544	8
Total impaired loans with no related allowance for credit losses	520	9	818	21
Total impaired loans				
Real estate mortgage	397	-	274	13
Production and intermediate-term	123	9	556	8
Total impaired loans	$ 520	$ 9	$ 830	$ 21

Past Due Loans

The following tables provide an age analysis of past due loans (including accrued interest) as of September 30, 2018, and December 31, 2017:

As of September 30, 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	$ -	$ 339	$ 339	$ 249,082	$ 249,421	$ -
Production and intermediate-term	-	-	-	91,656	91,656	-
Agribusiness	-	-	-	60,521	60,521	-
Rural infrastructure	-	-	-	11,782	11,782	-
Total	$ -	$ 339	$ 339	$ 413,041	$ 413,380	$ -

As of December 31, 2017	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	$ -	$ -	$ -	$ 216,427	$ 216,427	$ -
Production and intermediate-term	512	-	512	108,750	109,262	-
Agribusiness	-	-	-	60,417	60,417	-
Rural infrastructure	-	-	-	9,612	9,612	-
Total	$ 512	$ -	$ 512	$ 395,206	$ 395,718	$ -

Allowance for Loan Losses

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

	Balance at June 30, 2018	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2018
Real estate mortgage	$ 535	$ -	$ -	$ (43)	$ 492
Production and intermediate-term	1,050	-	2	126	1,178
Agribusiness	231	-	-	(12)	219
Rural infrastructure	40	-	-	(3)	37
Total	$ 1,856	$ -	$ 2	$ 68	$ 1,926

	Balance at December 31, 2017	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2018
Real estate mortgage	$ 497	$ -	$ -	$ (5)	$ 492
Production and intermediate-term	1,172	-	83	(77)	1,178
Agribusiness	141	-	-	78	219
Rural infrastructure	42	-	-	(5)	37
Total	$ 1,852	$ -	$ 83	$ (9)	$ 1,926

	Balance at June 30, 2017	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2017
Real estate mortgage	$ 235	$ -	$ -	$ 274	$ 509
Production and intermediate-term	1,414	-	90	(375)	1,129
Agribusiness	75	-	-	(3)	72
Rural infrastructure	47	-	-	(3)	44
Total	$ 1,771	$ -	$ 90	$ (107)	$ 1,754

	Balance at December 31, 2016	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2017
Real estate mortgage	$ 452	$ -	$ -	$ 57	$ 509
Production and intermediate-term	1,644	(122)	158	(551)	1,129
Agribusiness	99	-	-	(27)	72
Rural infrastructure	42	-	-	2	44
Total	$ 2,237	$ (122)	$ 158	$ (519)	$ 1,754

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 September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Balance at beginning of period	$ 226	$ 188	$ 135	$ 95
Provision for/(Reversal of) reserves for unfunded commitments	(35)	(41)	56	52
Total	$ 191	$ 147	$ 191	$ 147

Individual and Collective Impairment Evaluation

A summary of the Association's individual and collective impairment evaluation as of September 30, 2018, and December 31, 2017, is as follows (including accrued interest):

	Allowance for Credit Losses		Recorded Investments in Loans Outstanding		
As of September 30, 2018	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Real estate mortgage	$ -	$ 492	$ 339	$ 249,082	$ 249,421
Production and intermediate-term	-	1,178	1	91,655	91,656
Agribusiness	-	219	-	60,521	60,521
Rural infrastructure	-	37	-	11,782	11,782
Total	$ -	$ 1,926	$ 340	$ 413,040	$ 413,380

As of December 31, 2017	Allowance for Credit Losses: Individually Evaluated for Impairment	Allowance for Credit Losses: Collectively Evaluated for Impairment	Recorded Investments in Loans Outstanding: Individually Evaluated for Impairment	Recorded Investments in Loans Outstanding: Collectively Evaluated for Impairment	Recorded Investments in Loans Outstanding: Total
Real estate mortgage	$ -	$ 497	$ 339	$ 216,088	$ 216,427
Production and intermediate-term	-	1,172	2	109,260	109,262
Agribusiness	-	141	-	60,417	60,417
Rural infrastructure	-	42	-	9,612	9,612
Total	$ -	$ 1,852	$ 341	$ 395,377	$ 395,718

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 nine months ended September 30, 2018. The Association had no TDRs within the previous 12 months and for which there were subsequent payment defaults during the first nine months of 2018 and 2017.

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 September 30, 2018	As of December 31, 2017	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	21.4%	21.3%	4.5%	2.5% *	7.0%
Tier 1 capital ratio	21.4%	21.3%	6.0%	2.5% *	8.5%
Total capital ratio	21.8%	21.7%	8.0%	2.5% *	10.5%
Permanent capital ratio	21.7%	21.8%	7.0%	-	7.0%
Non-risk-adjusted					
Tier 1 leverage ratio	24.6%	24.3%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	25.2%	24.9%	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 September 30, 2018, the required common investment was the lesser of $1 thousand or 2% of loan volume per voting stockholder.

NOTE 4 – INCOME TAXES

The Tax Cuts and Jobs Act of 2017 enacted in late 2017, among other things, lowered the federal corporate tax rate from 35 percent to 21 percent beginning in 2018. Refer to the 2017 Annual Report to Shareholders for additional information.

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 9, 2018, which is the date the financial statements were issued, and no material subsequent events were identified.

COLUSA-GLENN
FARM CREDIT