2019

THIRD QUARTER REPORT TO SHAREHOLDERS

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COLUSA-GLENN FARM CREDIT

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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, 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 and diversify our loan portfolio, maintain strong credit quality, and remain well capitalized through the quarter ended September 30, 2019. Our success is due to our conservative lending approach, the financial stability and support of our members, and proactive portfolio management. There have been challenges that our members have had to overcome in the past few years including commodity price volatility and yield inconsistency. Commodity prices across the United States have experienced significant volatility over the past few years. This volatility has been driven 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 and trade disputes between the U.S., China and others, and negative net farm income trends in the U.S. Members have also experienced inconsistent yields primarily due to poorly-timed, adverse weather conditions. Our primary concern with these factors is their impact on our members' working capital, overall financial position, and the collateral values supporting our loans. We continue to monitor changes in market conditions impacting the agricultural products we finance to ensure that we continue to provide the best customer service to our members while operating in a safe and sound manner.

LOAN PORTFOLIO

Loans outstanding at September 30, 2019, totaled $451.5 million, an increase of $34.3 million, or 8.2%, from loans of $417.2 million at December 31, 2018. The increase was attributable to organic growth within our territory and in net participations purchased.

RESULTS OF OPERATIONS

Net income for the nine months ended September 30, 2019, was $6.9 million, an increase of $712 thousand, or 11.6%, from $6.1 million for the nine months ended September 30, 2018. This increase is primarily attributable to an increase in net interest income driven by loan growth year over year, coupled with a decrease in provision for credit loss, and partially offset by increased noninterest expense.

Net interest income for the nine months ended September 30, 2019, was $9.8 million, an increase of $1.3 million, or 14.8%, from $8.5 million for the nine months ended September 30, 2018. The increase is attributable to increased loan volume coupled with increased earnings on fixed term investments.

The credit loss reversal for the nine months ended September 30, 2019, was $91 thousand, a decrease of $138 thousand from the provision for credit losses of $47 thousand for the same period ended one year ago. The credit loss reversal through September 30, 2019, is due to less stress within our portfolio as commodity price pressure has eased, partially offset by additional reserves for increased loan volume.

Noninterest income for the nine months ended September 30, 2019, was $1.3 million, a decrease of $131 thousand, or 9.5%, from $1.4 million for the same period ended one year ago. This is primarily due to a decrease in refund of $105 thousand from Farm Credit System Insurance Corporation (FCSIC) and a decrease of $103 thousand in patronage income. The FCSIC 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. The decrease in patronage income was due to a special cash patronage payment from CoBank received in the third quarter of 2018. The decrease was partially offset by increased loan fee income.

We received mineral income of $3 thousand during the first nine months of 2019, which is distributed to us quarterly by CoBank.

Noninterest expense for the nine months ended September 30, 2019, was $4.3 million, an increase of $565 thousand, or 15.3%, from $3.7 million for the nine months ended September 30, 2018. The increase was primarily due to an increase in purchased services, occupancy and equipment expense, data processing and other noninterest expense. Purchased services increased year over year due to higher costs related to audit fees, appraisal services, and human resources and payroll services. Occupancy and equipment expense increased due to higher rental costs for our Colusa branch office. Data processing expense has increased year over year due to higher costs for technology and operational services provided by AgVantis. Other noninterest expense increased due to a decrease in our standard loan origination costs and an Excess Prepayment Assessment Program fee paid to CoBank.

CAPITAL RESOURCES

Our shareholders' equity at September 30, 2019, was $114.4 million, an increase of $4.6 million, or 4.2%, from shareholders' equity of $109.9 million at December 31, 2018. This increase is due to net income offset by net stock retirements and 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 November 8, 2019	Tim Elrod President & Chief Executive Officer November 8, 2019

Amy Ceballos
Chief Financial Officer
November 8, 2019

CONSOLIDATED STATEMENTS OF CONDITION

(In Thousands)

	September 30, 2019	December 31, 2018
	Unaudited	*Audited*
ASSETS		
Loans	$ 451,530	$ 417,227
Less allowance for loan losses	1,860	1,898
Net loans	449,670	415,329
Cash	1,153	2,702
Accrued interest receivable	9,458	5,857
Investment in CoBank, ACB	10,378	10,337
Premises and equipment, net	3,710	526
Other assets	1,964	2,366
Total assets	$ 476,333	$ 437,117
LIABILITIES		
Note payable to CoBank, ACB	$ 331,683	$ 296,154
Advance conditional payments	25,218	21,773
Accrued interest payable	655	304
Patronage distributions payable	2,295	2,000
Accrued benefits liability	100	101
Deferred tax liability	204	142
Unfunded disbursements	508	900
Reserve for unfunded commitments	246	247
Other liabilities	975	5,611
Total liabilities	361,884	327,232
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock and participation certificates	514	516
Unallocated retained earnings	113,935	109,369
Total shareholders' equity	114,449	109,885
Total liabilities and shareholders' equity	$ 476,333	$ 437,117

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited and in Thousands)

	For the Three Months Ended September 30		*For the Nine Months Ended September 30*	
	2019	2018	2019	2018
INTEREST INCOME				
Loans	$ 5,661	$ 4,874	$ 16,107	$ 13,202
Total interest income	5,661	4,874	16,107	13,202
INTEREST EXPENSE				
Note payable to CoBank	2,099	1,638	5,797	4,364
Other	142	116	506	300
Total interest expense	2,241	1,754	6,303	4,664
Net interest income	3,420	3,120	9,804	8,538
(Credit loss reversal)/Provision for credit losses	139	33	(91)	47
Net interest income after credit loss reversal/ provision for credit losses	3,281	3,087	9,895	8,491
NONINTEREST INCOME				
Financially related services income	-	-	5	6
Patronage distribution from Farm Credit Institutions	373	511	1,052	1,155
Farm Credit Insurance Fund distribution	-	-	78	183
Mineral income	1	-	3	2
Other noninterest income	36	4	115	38
Total noninterest income	410	515	1,253	1,384
NONINTEREST EXPENSE				
Salaries and employee benefits	724	686	2,168	2,151
Occupancy and equipment	73	65	226	164
Purchased services	238	229	734	643
Farm Credit Insurance Fund premium	67	56	175	153
Supervisory and examination costs	45	35	133	120
Data processing services	242	198	724	596
Other noninterest expense	111	(9)	107	(125)
Total noninterest expense	1,500	1,260	4,267	3,702
Income before income taxes	2,191	2,342	6,881	6,173
Provision for/(Benefit from) income taxes	(37)	(4)	20	24
Net income/Comprehensive income	$ 2,228	$ 2,346	$ 6,861	$ 6,149

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

CONSOLIDATED STATEMENTS 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		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
Balance at December 31, 2018	$ 516	$ 109,369	$ 109,885
Net income/Comprehensive income		6,861	6,861
Capital stock and participation certificates issued	41		41
Capital stock and participation certificates retired	(43)		(43)
Patronage distributions: Cash		(2,295)	(2,295)
Balance at September 30, 2019	**$ 514**	**$ 113,935**	**$ 114,449**

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 third 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 adoption of this guidance resulted in no impact on the Association's financial condition and results of operations.

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 September 30, 2019, and December 31, 2018, is as follows:

	September 30, 2019			December 31, 2018		
	Principal	Interest	Total	Principal	Interest	Total
Real estate mortgage	$ 261,141	$ 7,629	$ 268,770	$ 244,375	$ 4,593	$ 248,968
Production and intermediate-term	100,532	1,046	101,578	99,370	857	100,227
Agribusiness	76,668	758	77,426	62,256	393	62,649
Rural infrastructure	8,197	2	8,199	11,226	14	11,240
Agricultural export finance	4,992	23	5,015	-	-	-
Total loans	$ 451,530	$ 9,458	$ 460,988	$ 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 table presents information regarding the principal balances of participations purchased and sold as of September 30, 2019, and December 31, 2018:

	September 30, 2019		December 31, 2018	
	Purchased	Sold	Purchased	Sold
Other Farm Credit Institutions:				
Real estate mortgage	$ 43,366	$ 35,999	$ 42,564	$ 33,338
Production and intermediate-term	4,422	10,169	5,542	11,376
Agribusiness	43,165	8,950	37,086	12,263
Rural infrastructure	8,197	-	11,226	-
Agricultural export finance	4,992	-	-	-
Total	$ 104,142	$ 55,118	$ 96,418	$ 56,977

The Association had no participation interests purchased from or sold to Non-Farm Credit Institutions at September 30, 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 mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness.
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan.
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable.
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of as of September 30, 2019, and December 31, 2018:

	September 30, 2019	December 31, 2018
Real estate mortgage:		
Acceptable	98.66%	97.42%
OAEM	0.59%	0.79%
Substandard	0.75%	1.79%
Subtotal	100.00%	100.00%
Production and intermediate-term:		
Acceptable	97.32%	96.85%
OAEM	1.01%	1.52%
Substandard	1.67%	1.63%
Subtotal	100.00%	100.00%
Agribusiness:		
Acceptable	89.52%	99.88%
OAEM	0.35%	0.12%
Substandard	10.13%	0.00%
Subtotal	100.00%	100.00%
Rural infrastructure		
Acceptable	70.79%	100.00%
OAEM	29.21%	0.00%
Subtotal	100.00%	100.00%
Agricultural export finance		
Acceptable	100.00%	0.00%
Subtotal	100.00%	0.00%
Total Loans:		
Acceptable	96.35%	97.72%
OAEM	1.14%	0.84%
Substandard	2.51%	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 September 30, 2019, and December 31, 2018, are as follows:

	September 30, 2019	December 31, 2018
Nonaccrual loans:		
Production and intermediate-term	$ 1	$ 1
Total nonaccrual loans	1	1
Total high risk assets	$ 1	$ 1

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, 2019, and December 31, 2018, is as follows:

	September 30, 2019		December 31, 2018	
	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance
Impaired loans with no related allowance for loan losses				
Production and intermediate-term	$ 1	$ 1,404	$ 1	$ 1,423
Total	$ 1	$ 1,404	$ 1	$ 1,423

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

There were no impaired loans with a related allowance for credit losses as of September 30, 2019, and December 31, 2018.

The following tables provides average impaired loans:

	For the Three Months Ended September 30, 2019		For the Three Months Ended September 30, 2018	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	$ -	$ -	$ 502	$ -
Production and intermediate-term	1	-	332	9
Total	$ 1	$ -	$ 834	$ 9

	For the Nine Months Ended September 30, 2019		For the Nine Months Ended September 30, 2018	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	$ -	$ -	$ 397	$ -
Production and intermediate-term	107	4	123	9
Total	$ 107	$ 4	$ 520	$ 9

Past Due Loans

The following tables provide an age analysis of past due loans (including accrued interest) as of September 30, 2019, and December 31, 2018:

As of September 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	Recorded Investment in Loans Outstanding	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 22	$ -	$ 22	$ 268,748	$ 268,770	$ -
Production and intermediate-term	132	-	132	101,446	101,578	-
Agribusiness	-	-	-	77,426	77,426	-
Rural infrastructure	-	-	-	8,199	8,199	-
Agricultural export finance	-	-	-	5,015	5,015	-
Total	$ 154	$ -	$ 154	$ 460,834	$ 460,988	$ -

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 June 30, 2019	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2019
Real estate mortgage	$ 392	$ -	$ -	$ 18	$ 410
Production and intermediate-term	639	4	2	212	849
Agribusiness	612	-	-	(48)	564
Rural infrastructure	32	-	-	3	35
Agricultural export finance	-	-	-	2	2
Total	$ 1,675	$ 4	$ 2	$ 187	$ 1,860

	Balance at December 31, 2018	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2019
Real estate mortgage	$ 465	$ -	$ -	$ (55)	$ 410
Production and intermediate-term	1,175	18	70	(378)	849
Agribusiness	225	-	-	339	564
Rural infrastructure	33	-	-	2	35
Agricultural export finance	-	-	-	2	2
Total	$ 1,898	$ 18	$ 70	$ (90)	$ 1,860

	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

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	
	2019	2018	2019	2018
Balance at beginning of period	$ 294	$ 226	$ 247	$ 135
(Reversal of)/Provision for reserves for unfunded commitments	(48)	(35)	(1)	56
Total	$ 246	$ 191	$ 246	$ 191

Individual and Collective Impairment Evaluation

A summary of the Association's individual and collective impairment evaluation as of September 30, 2019, and December 31, 2018, is as follows (including accrued interest):

	Allowance for Loan Losses		Recorded Investments in Loans Outstanding		
As of September 30, 2019	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Real estate mortgage	$ -	$ 410	$ -	$ 268,770	$ 268,770
Production and intermediate-term	-	849	1	101,577	101,578
Agribusiness	-	564	-	77,426	77,426
Rural infrastructure	-	35	-	8,199	8,199
Agricultural export finance	-	2	-	5,015	5,015
Total	$ -	$ 1,860	$ 1	$ 460,987	$ 460,988

	Allowance for Loan 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 nine months ended September 30, 2019. The Association had no TDRs within the previous 12 months and for which there were subsequent payment defaults during the first nine 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 September 30, 2019	As of December 31, 2018	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	20.41%	20.96%	4.5%	2.5% *	7.0%
Tier 1 capital ratio	20.41%	20.96%	6.0%	2.5% *	8.5%
Total capital ratio	20.80%	21.40%	8.0%	2.5% *	10.5%
Permanent capital ratio	20.49%	21.29%	7.0%	-	7.0%
Non-risk-adjusted					
Tier 1 leverage ratio	23.28%	23.52%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	23.82%	24.09%	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.

NOTE 4 – FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 of the 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 September 30, 2019, and December 31, 2018. The Association had no liabilities measured at fair value on a recurring basis at September 30, 2019, or December 31, 2018.

The Association had no assets or liabilities measured at fair value on a non-recurring basis at September 30, 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 November 8, 2019, which is the date the financial statements were issued, and no material subsequent events were identified.

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