COLUSA-GLENN FARM CREDIT

First Quarter 2017
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 three months ended March 31, 2017, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2016 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 2016 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 three months ended March 31, 2017. 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 three months of 2017.

We have seen reductions in market pricing for rice, almonds, and walnuts, among other commodities, over the past two years. A contributing factor to this price pressure includes, but is not limited to, the strength of the U.S. dollar and its impact on exports. With increased supplies of rice due to more acres being planted and an increase in tree crop plantings and yields, prices may decrease further. As such, commodity prices will continue to be a factor in our credit analysis and portfolio risk management. We will continue to closely monitor the impact that continued commodity price pressure might have on our borrowers and the overall credit quality of our portfolio.

LOAN PORTFOLIO

Loans outstanding at March 31, 2017, totaled $324.4 million, a decrease of $42.2 million, or 11.5%, from loans of $366.6 million at December 31, 2016. The decrease was attributable to more than expected seasonal repayments on commercial loans, scheduled annual mortgage payments, loan payoffs, and the delay in advances on lines of credit to borrowers for preparation and planting of rice due to inclement weather.

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 March 31, 2017, and December 31, 2016.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2017, was $1.7 million, an increase of $321 thousand, or 22.7%, from $1.4 million for the three months ended March 31, 2016. This increase is primarily attributable to an increase in net interest income combined with a reversal of credit losses offset by increases in noninterest expense and the provision for income taxes.

Net interest income for the three months ended March 31, 2017, was $2.3 million, an increase of $256 thousand, or 12.4%, from $2.1 million for the three months ended March 31, 2016. The increase is primarily attributable to increased average loan volume, driven by mortgage loan portfolio growth in 2016, and interest rate increases.

The reversal of credit losses for the three months ended March 31, 2017, was $255 thousand compared with the provision for credit losses of $81 thousand for the three months ended March 31, 2016. The reversal of credit losses for the three months ended March 31, 2017, resulted primarily from a decrease in commercial loan volume from December 31, 2016, to March 31, 2017. The provision for credit losses for the three months ended March 31, 2016, resulted primarily from increased reserves on loans for rice, almonds, walnuts, and landlords offset by a decrease in commercial loan volume.

Noninterest income for the three months ended March 31, 2017, was $287 thousand, an increase of $33 thousand, or 13.0%, from $254 thousand for the three months ended March 31, 2016. Noninterest income increased primarily due to additional patronage income from CoBank resulting from the increase in the average net note payable from the three months ended March 31, 2016, to the three months ended March 31, 2017. The net note payable increased primarily due increase in mortgage loan volume during 2016.

Noninterest expense for the three months ended March 31, 2017, was $1.0 million, an increase of $202 thousand, or 24.3%, from $832 thousand for the three months ended March 31, 2016. Noninterest expense increased primarily due to an increase in salaries and benefits costs resulting from staffing changes, an increase in data processing costs, and an increase in purchased services. The Association hired a new Chief Credit Officer and a new Credit Analyst on January 1, 2017.

CAPITAL RESOURCES

Our shareholders' equity at March 31, 2017, was $98.9 million, an increase of $1.5 million, or 1.6%, from shareholders' equity of $97.4 million at December 31, 2016. This increase is due to net income partially offset by accrued patronage distributions and net stock retirements during 2017.

REGULATORY MATTERS

On March 10, 2016, the FCA approved new rules (New Capital Regulations) relating to regulatory capital requirements for System Banks, including CoBank, and Associations. The New Capital Regulations became effective January 1, 2017. The stated objectives of the New Capital Regulations are as follows:

- To modernize capital requirements while ensuring that System institutions continue to hold sufficient regulatory capital to fulfill the System's mission as a government sponsored enterprise;
- To ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System;
- To make System regulatory capital requirements more transparent; and
- To meet certain requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act").

The New Capital Regulations, among other things, replace existing core surplus and total surplus requirements with common equity tier 1 (CET1), tier 1 and total capital (tier 1 plus tier 2) risk-based capital ratio requirements. The New Capital Regulations also add a tier 1 leverage ratio for all System institutions, which replaces the existing net collateral ratio for System Banks. In addition, the New Capital Regulations establish a capital conservation buffer and a leverage buffer; enhance the sensitivity of risk weightings; and, for System Banks only, require additional public disclosures. The revisions to the risk weightings include alternatives to the use of credit ratings, as required by the Dodd-Frank Act.

The New Capital Regulations set the following minimum risk-based requirements:

- A CET1 capital ratio of 4.5 percent;
- A tier 1 capital ratio (CET1 capital plus additional tier 1 capital) of 6 percent; and
- A total capital ratio (tier 1 plus tier 2) of 8 percent.

The New Capital Regulations also set a minimum tier 1 leverage ratio (tier 1 divided by total assets) of 4 percent, of which at least 1.5 percent must consist of unallocated retained earnings (URE) and URE equivalents, which are nonqualified allocated equities with certain characteristics of URE.

The New Capital Regulations establish a capital cushion (capital conservation buffer) of 2.5 percent above the risk-based CET1, tier 1 and total capital requirements. In addition, the New Capital Regulations establish a leverage capital cushion (leverage buffer) of 1 percent above the tier 1 leverage ratio 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 New Capital 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.

Refer to Note 3 of the accompanying Consolidated Financial Statements for additional detail regarding the capital ratios as of March 31, 2017.

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, 2017

Robert Faris
President & Chief Executive Officer
May 10, 2017

Tim Elrod
Chief Financial Officer &
Chief Operating Officer
May 10, 2017

CONSOLIDATED STATEMENT OF CONDITION
(In Thousands)

	March 31, 2017 *Unaudited*	December 31, 2016 *Audited*
ASSETS		
Loans	$ 324,435	$ 366,610
Less allowance for loan losses	1,896	2,237
Net loans	322,539	364,373
Cash	456	3,702
Accrued interest receivable	3,458	4,187
Investment in CoBank	10,315	10,301
Premises and equipment, net	546	523
Other assets	855	1,632
Total assets	$ 338,169	$ 384,718
LIABILITIES		
Note payable to CoBank	$ 202,208	$ 257,430
Advance conditional payments	34,470	25,117
Accrued interest payable	264	327
Patronage distributions payable	209	840
Accrued benefits liability	99	97
Deferred tax liability	257	257
Unfunded disbursements	540	375
Reserve for unfunded commitments	127	95
Other liabilities	1,103	2,798
Total liabilities	239,277	287,336
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock and participation certificates	549	563
Unallocated retained earnings	98,343	96,819
Total shareholders' equity	98,892	97,382
Total liabilities and shareholders' equity	$ 338,169	$ 384,718

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	
	2017	2016
INTEREST INCOME		
Loans	$ 3,292	$ 2,825
Total interest income	3,292	2,825
INTEREST EXPENSE		
Note payable to CoBank	923	697
Other	45	60
Total interest expense	968	757
Net interest income	2,324	2,068
(Reversal of credit loss)/Provision for credit loss	(255)	81
Net interest income after reversal of credit loss/provision for credit loss	2,579	1,987
NONINTEREST INCOME		
Financially related services income	2	2
Patronage refund from Farm Credit Institutions	258	221
Other noninterest income	27	31
Total noninterest income	287	254
NONINTEREST EXPENSE		
Salaries and employee benefits	671	521
Occupancy and equipment	32	31
Purchased services	96	80
Farm Credit Insurance Fund premium	76	75
Supervisory and examination costs	40	33
Data processing services	188	166
Other noninterest expense	(69)	(74)
Total noninterest expense	1,034	832
Income before income taxes	1,832	1,409
Provision for/(Benefit from) income taxes	99	(3)
Net income/Comprehensive income	$ 1,733	$ 1,412

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, 2015	$ 571	$ 91,367	$ 91,938
Net income/Comprehensive income		1,412	1,412
Capital stock and participation certificates issued	28		28
Capital stock and participation certificates retired	(32)		(32)
Patronage distributions: Cash		(392)	(392)
Balance at March 31, 2016	$ 567	$ 92,387	$ 92,954
Balance at December 31, 2016	$ 563	$ 96,819	$ 97,382
Net income/Comprehensive income		1,733	1,733
Capital stock and participation certificates issued	20		20
Capital stock and participation certificates retired	(34)		(34)
Patronage distributions: Cash		(209)	(209)
Balance at March 31, 2017	**$ 549**	**$ 98,343**	**$ 98,892**

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, 2016, are contained in the 2016 Annual Report to Shareholders. These unaudited first quarter 2017 financial statements should be read in conjunction with the 2016 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, 2016, as contained in the 2016 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, 2017. Descriptions of the significant accounting policies are included in the 2016 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 2016, the Financial Accounting Standards Board (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 becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance is not expected to impact the Association's financial condition or its results of operations but could change the classification of certain items in the statement of cash flows.

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. This guidance becomes effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The Association is currently evaluating the impact of adoption on its financial condition and results 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 becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance is not expected to 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. In this regard, a majority of our contracts would be excluded from the scope of this new guidance. In August 2015, the FASB issued an update that defers this guidance by one year, which results in the new revenue standard becoming effective for interim and annual reporting periods beginning after December 15, 2017. The Association is in the process of reviewing contracts to determine the effect, if any, on its financial condition or results of operations.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

Loan Portfolio

A summary of the Association's loan portfolio as of March 31, 2017, and December 31, 2016, is as follows:

	March 31, 2017			December 31, 2016		
	Principal	Interest	Total	Principal	Interest	Total
Real estate mortgage	$ 205,950	$ 2,516	$ 208,466	$ 214,251	$ 3,440	$ 217,691
Production and intermediate-term	69,769	562	70,331	103,952	559	104,511
Agribusiness	41,970	374	42,344	44,946	187	45,133
Rural infrastructure	6,746	6	6,752	3,461	1	3,462
Total loans	$ 324,435	$ 3,458	$ 327,893	$ 366,610	$ 4,187	$ 370,797

Participations Purchased and Sold

The Association purchases or 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, 2017, and December 31, 2016:

	March 31, 2017	
	Purchased	Sold
Other Farm Credit Institutions:		
Real estate mortgage	$ 14,789	$ 17,260
Production and intermediate-term	2,659	5,411
Agribusiness	17,735	1,765
Rural infrastructure	6,746	-
Subtotal	41,929	24,436
Non-Farm Credit Institutions:		
Real estate mortgage	-	110
Subtotal	-	110
All Institutions:		
Real estate mortgage	14,789	17,370
Production and intermediate-term	2,659	5,411
Agribusiness	17,735	1,765
Rural infrastructure	6,746	-
Total	$ 41,929	$ 24,546

	December 31, 2016	
	Purchased	Sold
Other Farm Credit Institutions:		
Real estate mortgage	$ 15,033	$ 12,933
Production and intermediate-term	2,698	6,780
Agribusiness	16,135	1,765
Rural infrastructure	3,461	-
Subtotal	37,327	21,478
Non-Farm Credit Institutions:		
Real estate mortgage	-	110
Subtotal	-	110
All Institutions:		
Real estate mortgage	15,033	13,043
Production and intermediate-term	2,698	6,780
Agribusiness	16,135	1,765
Rural infrastructure	3,461	-
Total	$ 37,327	$ 21,588

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 as of March 31, 2017, and December 31, 2016:

	March 31, 2017	December 31, 2016
Real estate mortgage:		
Acceptable	99.27%	99.42%
OAEM	0.47%	0.33%
Substandard	0.26%	0.25%
Subtotal	100.00%	100.00%
Production and intermediate-term:		
Acceptable	98.34%	99.04%
OAEM	0.79%	0.71%
Substandard	0.87%	0.16%
Loss	0.00%	0.09%
Subtotal	100.00%	100.00%
Agribusiness:		
Acceptable	95.19%	95.45%
OAEM	4.81%	4.55%
Subtotal	100.00%	100.00%
Rural infrastructure		
Acceptable	100.00%	100.00%
Subtotal	100.00%	100.00%
Total Loans:		
Acceptable	98.55%	98.83%
OAEM	1.10%	0.95%
Substandard	0.35%	0.19%
Loss	0.00%	0.03%
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, 2017, and December 31, 2016, are as follows:

	March 31, 2017	December 31, 2016
Nonaccrual loans:		
Production and intermediate-term	$ 366	$ 154
Total nonaccrual loans	366	154
Accruing loans 90 days past due:		
Real estate mortgage	227	-
Total accruing loans 90 days past due	227	-
Total high risk assets	$ 593	$ 154

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

Impaired Loan Information

Additional impaired loan information as of March 31, 2017, and December 31, 2016, is as follows:

			March 31, 2017
	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with no related allowance for credit losses			
Real estate mortgage	$ 227	$ 216	$ -
Production and intermediate-term	366	2,143	-
Total impaired loans with no related allowance for credit losses	593	2,359	-
Total impaired loans			
Real estate mortgage	227	216	-
Production and intermediate-term	366	2,143	-
Total impaired loans	$ 593	$ 2,359	$ -

There were no impaired loans with a related allowance for credit losses as of March 31, 2017.

	December 31, 2016		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with a related allowance for credit losses:			
Production and intermediate-term	$ 56	$ 58	$ 6
Total impaired loans with a related allowance for credit losses	56	58	6
Impaired loans with no related allowance for credit losses			
Production and intermediate-term	98	1,784	-
Total impaired loans with no related allowance for credit losses	98	1,784	-
Total impaired loans			
Production and intermediate-term	154	1,842	6
Total impaired loans	$ 154	$ 1,842	$ 6

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 investment.

The following table provides average impaired loans:

	For the Three Months Ended March 31, 2017	
	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:		
Production and intermediate-term	$ 37	$ -
Total impaired loans with a related allowance for credit losses	37	-
Impaired loans with no related allowance for credit losses:		
Real estate mortgage	75	1
Production and intermediate-term	347	-
Total impaired loans with no related allowance for credit losses	422	1
Total impaired loans		
Real estate mortgage	75	1
Production and intermediate-term	384	-
Total impaired loans	$ 459	$ 1

	For the Three Months Ended March 31, 2016	
	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:		
Production and intermediate-term	$ 296	$ -
Total impaired loans with a related allowance for credit losses	296	-
Impaired loans with no related allowance for credit losses:		
Production and intermediate-term	261	-
Total impaired loans with no related allowance for credit losses	261	-
Total impaired loans		
Production and intermediate-term	557	-
Total impaired loans	$ 557	$ -

Past Due Loans

The following tables provide an age analysis of past due loans as of March 31, 2017, and December 31, 2016 (including accrued interest):

As of March 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	Total Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 395	$ 227	$ 622	$ 207,844	$ 208,466	$ 227
Production and intermediate-term	617	363	980	69,351	70,331	-
Agribusiness	-	-	-	42,344	42,344	-
Rural infrastructure	-	-	-	6,752	6,752	-
Total	$ 1,012	$ 590	$ 1,602	$ 326,291	$ 327,893	$ 227

As of December 31, 2016	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 598	$ -	$ 598	$ 217,093	$ 217,691	$ -
Production and intermediate-term	392	77	469	104,042	104,511	-
Agribusiness	-	-	-	45,133	45,133	-
Rural infrastructure	-	-	-	3,462	3,462	-
Total	$ 990	$ 77	$ 1,067	$ 369,730	$ 370,797	$ -

Allowance for Loan Losses

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

	Balance at December 31, 2016	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2017
Real estate mortgage	$ 452	$ -	$ -	$ 33	$ 485
Production and intermediate-term	1,644	(122)	68	(347)	1,243
Agribusiness	99	-	-	21	120
Rural infrastructure	42	-	-	6	48
Total	$ 2,237	$ (122)	$ 68	$ (287)	$ 1,896

	Balance at December 31, 2015	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2016
Real estate mortgage	$ 460	$ -	$ -	$ 7	$ 467
Production and intermediate-term	1,233	-	-	54	1,287
Agribusiness	146	-	-	(24)	122
Rural infrastructure	-	-	-	-	-
Total	$ 1,839	$ -	$ -	$ 37	$ 1,876

Individual and Collective Impairment Evaluation

A summary of the Association's individual and collective impairment evaluation as of March 31, 2017, and December 31, 2016, is as follows (including accrued interest):

	Allowance for Credit Losses		Recorded Investments in Loans Outstanding		
As of March 31, 2017	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Real estate mortgage	$ -	$ 485	$ 227	$ 208,239	$ 208,466
Production and intermediate-term	-	1,243	366	69,965	70,331
Agribusiness	-	120	-	42,344	42,344
Rural infrastructure	-	48	-	6,752	6,752
Total	$ -	$ 1,896	$ 593	$ 327,300	$ 327,893

	Allowance for Credit Losses		Recorded Investments in Loans Outstanding		
As of December 31, 2016	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Real estate mortgage	$ -	$ 452	$ -	$ 217,691	$ 217,691
Production and intermediate-term	6	1,638	154	104,357	104,511
Agribusiness	-	99	-	45,133	45,133
Rural infrastructure	-	42	-	3,462	3,462
Total	$ 6	$ 2,231	$ 154	$ 370,643	$ 370,797

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, 2017
Balance at beginning of period	$ 95
Provision for unfunded commitments	32
Total	$ 127

	For the Three Months Ended March 31, 2016
Balance at beginning of period	$ 57
Provision for unfunded commitments	44
Total	$ 101

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, 2017. The Association had no TDRs within the previous 12 months for which there were subsequent payment defaults during the period.

NOTE 3 - CAPITAL

Effective January 1, 2017, the regulatory capital requirements for System Banks and associations were modified. The new regulations replaced existing core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk based capital ratios. The new regulations also added a tier 1 leverage ratio and an unallocated retained earning equivalents (UREE) leverage ratio. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. Farm Credit Administration regulations require us to maintain minimums for various regulatory capital ratios.

In addition, the New Capital Regulations establish a capital conservation buffer and a leverage buffer; enhance the sensitivity of risk weightings; and, for System Banks only, require additional public disclosures. The revisions to the risk weightings include alternatives to the use of credit ratings, as required by the Dodd-Frank Act.

A summary of select capital ratios and minimums as of March 31, 2017, is as follows:

	As of March 31, 2017	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:				
Common equity tier 1 ratio	21.9%	4.5%	2.5% *	7.0%
Tier 1 capital ratio	21.9%	6.0%	2.5% *	8.5%
Total capital ratio	22.5%	8.0%	2.5% *	10.5%
Permanent capital ratio	22.4%	7.0%	0.0%	7.0%
Non-risk-adjusted				
Tier 1 leverage ratio	25.8%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	26.5%	1.5%	0.0%	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 New Capital 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, 2017, 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 2016 Annual Report to Shareholders for a more complete description.

The Association has no assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association recorded no transfers in or out of Levels 1, 2 or 3.

The Association has loans measured at fair value on a non-recurring basis of $366 at March 31, 2017, and $149 at December 31, 2016. There were losses of $122 recorded at March 31, 2017, and $386 at December 31, 2016.

Valuation Techniques

As more fully discussed in Note 2 to the 2016 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.

Loans

For impaired loans measured on a non-recurring basis, the fair value is based upon the underlying real estate collateral since the loans are collateral dependent. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established and the net loan is reported at its fair value.

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 10, 2017, which is the date the financial statements were issued, and no material subsequent events were identified.

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