

2020

SECOND QUARTER REPORT TO SHAREHOLDERS



**COLUSA-GLENN
FARM CREDIT**

[Page intentionally left blank]

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	4
GENERAL	4
LOAN PORTFOLIO.....	5
RESULTS OF OPERATIONS.....	5
CAPITAL RESOURCES	5
OTHER MATTERS.....	6
FORWARD LOOKING INFORMATION	6
CERTIFICATION.....	6
CONSOLIDATED STATEMENTS OF CONDITION.....	7
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME.....	8
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	10
NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES	10
NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES.....	11
NOTE 3 - CAPITAL	17
NOTE 4 – FAIR VALUE MEASUREMENTS	18
NOTE 5 - SUBSEQUENT EVENTS.....	18

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 six months ended June 30, 2020, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2019 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 2019 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, 2970 Davison Court, Colusa, California 95932, or calling (530) 458-2163.

GENERAL

We have continued to grow and diversify our loan portfolio, maintain good credit quality, effectively manage operating costs, and remain well capitalized through the quarter ended June 30, 2020. Our success is due, in part, to our conservative lending approach, the financial stability and support of our Member-base, proactive portfolio risk management, and our commitment to providing excellent customer service. There have been challenges that the Association and its members have had to overcome in the past few years including commodity price and interest rate volatility. Commodity prices across the United States have experienced significant volatility over the past five years. This volatility has been driven, in part, by the strength of the U.S. dollar compared to foreign currencies, changes in global economies and related demand for our exports, ongoing trade and tariff disputes between the U.S. and others, adverse net farm income trends in the U.S, and inconsistent yields. 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.

The COVID-19 pandemic continues as a global public health crisis and a global economic crisis. The effects of the COVID-19 pandemic could have a material adverse effect on our Association’s business, results of operations and financial condition. During much of the second quarter, actions by government authorities to stem the spread of the disease shut down entire sectors of the global economy, forcing millions of people out of work, and precipitated a contraction in economic output. In the United States, the Federal Reserve deployed a full range of emergency monetary stimulus tools to ensure the financial system continued to function. The administration and Congress have also passed aggressive fiscal stimulus measures. As states and cities have re-opened, certain areas of the country have experienced a substantial increase in cases. It remains to be seen how effective these policy responses will be given the unique attributes of the continuing pandemic.

The COVID-19 pandemic has heightened many risks, including credit risk, liquidity risk, market risk, and operational risk. The effectiveness of our mitigation efforts and the extent to which COVID-19 affects our business, results of operations and financial condition may depend on factors beyond our control.

The U.S. government has initiated various programs in support of the COVID-19 economic recovery. In late March 2020, Congress passed the Coronavirus Aid, Relief and Economic Security (CARES) Act. Among other provisions, the CARES Act made available for small businesses almost \$350 billion under the Paycheck Protection Program (PPP), which is a guaranteed loan program administered by the Small Business Administration (SBA). In April 2020, Congress increased funding for the PPP by \$310 billion. The Association obtained approval from SBA in April 2020 to participate as a lender in the PPP and has successfully processed \$5.6 million in PPP loans for borrowers.

Our Board of Directors and Executive Team remain focused, now as much as ever, on upholding the long-term financial strength and capacity of the Association to continue fulfilling the needs of our Members with excellence, and fulfilling our mission.

LOAN PORTFOLIO

Loans outstanding at June 30, 2020, totaled \$503.9 million, an increase of \$43.6 million, or 9.5%, from loans of \$460.2 million at December 31, 2019. The increase was attributable to organic growth within our territory and an increase in net participations purchased, partially offset by seasonal repayments and scheduled annual mortgage payments.

RESULTS OF OPERATIONS

Net income for the six months ended June 30, 2020, was \$4.6 million, a decrease of \$5 thousand, or .1%, from \$4.6 million for the six months ended June 30, 2019. This decrease is primarily attributable to an increase in provision for credit loss and noninterest expenses, partially offset by an increase in net interest income, noninterest income and a decrease in tax provision resulting from lower PCA taxable earnings.

Net interest income for the six months ended June 30, 2020, was \$7.2 million, an increase of \$772 thousand, or 12.1%, from \$6.4 million for the six months ended June 30, 2019. The increase is attributable to increased loan volume and widening spreads, partially offset by a decrease in equity earnings.

The provision for credit losses for the six months ended June 30, 2020, was \$559 thousand, an increase of \$789 thousand from the credit loss reversal of \$230 thousand for the same period ended one year ago. The provision for credit losses through June 30, 2020, is due to increased loan volume coupled with increased stress within our portfolio to provide for coverage over price volatility, yield losses, and the impact of the COVID-19 pandemic on certain industries.

Noninterest income for the six months ended June 30, 2020, was \$967 thousand, an increase of \$124 thousand, or 14.7%, from \$843 thousand for the same period ended one year ago. This is primarily due to an increase in patronage income of \$82 thousand driven by an increase in our direct note balance, slightly offset by a 4 basis point decrease in the patronage rate year over year. Also included in noninterest income is a refund of \$82 thousand from Farm Credit System Insurance Corporation (FCSIC), an increase of \$4 thousand compared with the refund in 2019. The refunds are our portion of excess funds above the secure base amount in the FCSIC Allocated Insurance Reserve Accounts. Refer to the 2019 Annual Report to Shareholders for additional information. Other noninterest income increased by \$39 thousand due to increased rental income and captive insurance refund, partially offset by decreased net loan fee income.

We received mineral income of \$2 thousand during the first six months of 2020, which is distributed to us quarterly by CoBank.

Noninterest expense for the six months ended June 30, 2020, was \$3.0 million, an increase of \$224 thousand, or 8.1%, from \$2.8 million for the six months ended June 30, 2019. The increase was primarily due to increased salary and employee benefits, occupancy, and data processing, offset by a decrease in purchased services and other noninterest expense. Salaries and employee benefits expense increased due to year over year merit increases coupled with additional staffing. Occupancy and equipment expense increased due to increased utility costs, real estate taxes, and depreciation for our new offices. Data processing expense has increased year over year due to higher costs for technology and operational services provided by AgVantis. Purchased services decreased year over year due to lower costs for audit, appraisal, and human resources and payroll services. Other noninterest expense decreased due to an increase in our standard loan origination costs, driven by increased originations, and a decrease in training, travel, and public and member expenses.

CAPITAL RESOURCES

Our shareholders' equity at June 30, 2020, was \$117.9 million, an increase of \$2.3 million, or 2.0%, from shareholders' equity of \$115.6 million at December 31, 2019. This increase is due to net income and net stock issuances offset by accrued patronage distributions.

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

OTHER MATTERS

In 2017, the United Kingdom's Financial Conduct Authority, announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021. As a result, it is uncertain whether LIBOR will continue to be quoted after 2021. We continue to analyze potential risks associated with the LIBOR transition, including financial, operational, legal, tax, reputational and compliance risks. At this time we are unable to predict whether or when LIBOR will cease to be available or if SOFR or any other alternative reference rate will become the benchmark to replace LIBOR. Refer to the 2019 Annual Report for further information.

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
August 7, 2020



Tim Elrod
President & Chief Executive Officer
August 7, 2020



Amy Ceballos
Chief Financial Officer
August 7, 2020

CONSOLIDATED STATEMENTS OF CONDITION
(In Thousands)

	June 30, 2020	December 31, 2019
	<i>Unaudited</i>	<i>Audited</i>
ASSETS		
Loans	\$ 503,867	\$ 460,232
Less allowance for loan losses	2,302	1,701
Net loans	501,565	458,531
Cash	1,022	3,070
Accrued interest receivable	6,748	6,360
Investment in CoBank, ACB	11,855	11,800
Premises and equipment, net	6,694	5,759
Other assets	7,359	2,429
Total assets	\$ 535,243	\$ 487,949
LIABILITIES		
Note payable to CoBank, ACB	\$ 379,819	\$ 344,250
Advance conditional payments	28,876	16,774
Accrued interest (receivable)/payable	(223)	232
Patronage distributions payable	2,342	3,750
Accrued benefits liability	98	100
Deferred tax liability	282	282
Unfunded disbursements	2,163	536
Reserve for unfunded commitments	309	266
Other liabilities	3,658	6,149
Total liabilities	417,324	372,339
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock and participation certificates	529	506
Unallocated retained earnings	117,390	115,104
Total shareholders' equity	117,919	115,610
Total liabilities and shareholders' equity	\$ 535,243	\$ 487,949

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited and in Thousands)

	<i>For the Three Months Ended June 30</i>		<i>For the Six Months Ended June 30</i>	
	2020	2019	2020	2019
INTEREST INCOME				
Loans	\$ 4,620	\$ 5,319	\$ 9,836	\$ 10,446
Total interest income	<u>4,620</u>	<u>5,319</u>	<u>9,836</u>	<u>10,446</u>
INTEREST EXPENSE				
Note payable to CoBank, ACB	796	1,915	2,500	3,698
Other	41	176	180	364
Total interest expense	<u>837</u>	<u>2,091</u>	<u>2,680</u>	<u>4,062</u>
Net interest income	3,783	3,228	7,156	6,384
Provision for credit losses/(Credit loss reversal)	391	(52)	559	(230)
Net interest income after provision for credit losses/ Credit loss reversal	<u>3,392</u>	<u>3,280</u>	<u>6,597</u>	<u>6,614</u>
NONINTEREST INCOME				
Financially related services income	3	3	4	5
Patronage distribution from Farm Credit Institutions	388	341	761	679
Farm Credit Insurance Fund distribution	-	-	82	78
Mineral income	-	1	2	2
Other noninterest income	69	15	118	79
Total noninterest income	<u>460</u>	<u>360</u>	<u>967</u>	<u>843</u>
NONINTEREST EXPENSE				
Salaries and employee benefits	837	726	1,655	1,444
Occupancy and equipment	187	85	267	153
Purchased services	239	252	430	495
Farm Credit Insurance Fund premium	66	53	127	108
Supervisory and examination costs	48	44	96	88
Data processing services	258	241	514	482
Other noninterest expense/(income)	(97)	(56)	(98)	(3)
Total noninterest expense	<u>1,538</u>	<u>1,345</u>	<u>2,991</u>	<u>2,767</u>
Income before income taxes	2,314	2,295	4,573	4,690
(Benefit from)/Provision for income taxes	(53)	5	(55)	57
Net income/Comprehensive income	<u>\$ 2,367</u>	<u>\$ 2,290</u>	<u>\$ 4,628</u>	<u>\$ 4,633</u>

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, 2018	\$ 516	\$ 109,369	\$ 109,885
Net income/Comprehensive income		4,633	4,633
Capital stock and participation certificates issued	29		29
Capital stock and participation certificates retired	(27)		(27)
Patronage distributions: Cash		(983)	(983)
Balance at June 30, 2019	<u>\$ 518</u>	<u>\$ 113,019</u>	<u>\$ 113,537</u>
Balance at December 31, 2019	\$ 506	\$ 115,104	\$ 115,610
Net income/Comprehensive income		4,628	4,628
Capital stock and participation certificates issued	39		39
Capital stock and participation certificates retired	(16)		(16)
Patronage distributions: Cash		(2,342)	(2,342)
Balance at June 30, 2020	<u>\$ 529</u>	<u>\$ 117,390</u>	<u>\$ 117,919</u>

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, 2019, are contained in the 2019 Annual Report to Shareholders. These unaudited second quarter 2020 financial statements should be read in conjunction with the 2019 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, 2019, as contained in the 2019 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, 2020. Descriptions of the significant accounting policies are included in the 2019 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 March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled “Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association is evaluating the impact of adoption on its financial condition and its results of operations.

In December 2019, the Financial Accounting Standards Board (FASB) issued guidance entitled “Simplifying the Accounting for Income Taxes.” This guidance eliminates certain intra period tax allocations, foreign deferred tax recognition and interim period tax calculations. In addition, the guidance simplifies disclosure regarding capital and franchise taxes, the allocation of goodwill in business combinations, subsidiary financial statements and other disclosures. The new guidance is intended to eliminate and/or simplify certain aspects of income tax accounting that are complex or that require significant judgment in application or presentation. The guidance becomes effective for fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted and the institution adopted this guidance on January 1, 2020. The adoption of this guidance did not materially impact the Association’s financial condition or results of operations.

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

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 was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. On October 16, 2019, the FASB approved deferral of the effective date for certain entities for this guidance by two years, which will result in the new credit loss standard becoming effective for interim and annual reporting periods beginning after December 15, 2022. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on its financial condition and its results of operations.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

Loan Portfolio

A summary of the Association’s loan portfolio as of June 30, 2020, and December 31, 2019, is as follows:

	June 30, 2020			December 31, 2019		
	Principal	Interest	Total	Principal	Interest	Total
Real estate mortgage	\$ 279,669	\$ 5,357	\$ 285,026	\$ 264,191	\$ 4,989	\$ 269,180
Production and intermediate-term	113,481	795	114,276	103,725	823	104,548
Agribusiness	84,988	581	85,569	77,189	521	77,710
Rural infrastructure	20,730	4	20,734	10,133	5	10,138
Agricultural export finance	4,999	11	5,010	4,994	22	5,016
Total loans	\$ 503,867	\$ 6,748	\$ 510,615	\$ 460,232	\$ 6,360	\$ 466,592

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 June 30, 2020, and December 31, 2019:

	June 30, 2020		December 31, 2019	
	Purchased	Sold	Purchased	Sold
Other Farm Credit Institutions:				
Real estate mortgage	\$ 48,243	\$ 44,568	\$ 42,971	\$ 35,828
Production and intermediate-term	14,123	12,483	5,723	9,107
Agribusiness	51,666	9,417	44,282	15,509
Rural infrastructure	20,730	-	10,133	-
Agricultural export finance	4,999	-	4,994	-
Total	\$ 139,761	\$ 66,468	\$ 108,103	\$ 60,444

The Association had no participation interests purchased from or sold to Non-Farm Credit Institutions at June 30, 2020, and December 31, 2019.

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 June 30, 2020, and December 31, 2019:

	June 30, 2020	December 31, 2019
Real estate mortgage:		
Acceptable	99.02%	98.87%
OAEM	0.48%	0.36%
Substandard	0.50%	0.77%
Subtotal	100.00%	100.00%
Production and intermediate-term:		
Acceptable	92.02%	97.60%
OAEM	7.78%	1.10%
Substandard	0.20%	1.30%
Subtotal	100.00%	100.00%
Agribusiness:		
Acceptable	89.97%	90.63%
OAEM	10.02%	9.37%
Substandard	0.01%	0.00%
Subtotal	100.00%	100.00%
Rural infrastructure		
Acceptable	90.38%	80.31%
OAEM	0.00%	19.69%
Substandard	9.62%	0.00%
Subtotal	100.00%	100.00%
Agricultural export finance		
Acceptable	100.00%	100.00%
Subtotal	100.00%	100.00%
Total Loans:		
Acceptable	95.59%	96.83%
OAEM	3.69%	2.44%
Substandard	0.72%	0.73%
Total	100.00%	100.00%

Notes to Consolidated Financial Statements

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 June 30, 2020, and December 31, 2019, are as follows:

	June 30, 2020	December 31, 2019
Nonaccrual loans:		
Production and intermediate-term	\$ -	\$ 1
Total nonaccrual loans	-	1
Total high risk assets	\$ -	\$ 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 June 30, 2020, and December 31, 2019, is as follows:

	June 30, 2020		December 31, 2019	
	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance
Impaired loans with no related allowance for loan losses:				
Production and intermediate-term	\$ -	\$ 1,202	\$ 1	\$ 1,268
Total	\$ -	\$ 1,202	\$ 1	\$ 1,268

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 June 30, 2020, and December 31, 2019.

The following table provides average impaired loans:

	For the Three Months Ended June 30, 2020		For the Three Months Ended June 30, 2019	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for loan losses:				
Production and intermediate-term	\$ -	\$ -	\$ 1	\$ 2
Total	\$ -	\$ -	\$ 1	\$ 2

	For the Six Months Ended June 30, 2020		For the Six Months Ended June 30, 2019	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	\$ 48	\$ 1	\$ -	\$ -
Production and intermediate-term	-	11	161	4
Total	\$ 48	\$ 12	\$ 161	\$ 4

Past Due Loans

The following tables provide an age analysis of past due loans (including accrued interest) as of June 30, 2020, and December 31, 2019:

As of June 30, 2020	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	\$ 285,004	\$ 285,026	\$ -
Production and intermediate-term	-	-	-	114,276	114,276	-
Agribusiness	-	-	-	85,569	85,569	-
Rural infrastructure	-	-	-	20,734	20,734	-
Agricultural export finance	-	-	-	5,010	5,010	-
Total	\$ 22	\$ -	\$ 22	\$ 510,593	\$ 510,615	\$ -

As of December 31, 2019	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Recorded Investment in Loans Outstanding	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	\$ -	\$ -	\$ -	\$ 269,180	\$ 269,180	\$ -
Production and intermediate-term	-	-	-	104,548	104,548	-
Agribusiness	-	-	-	77,710	77,710	-
Rural infrastructure	-	-	-	10,138	10,138	-
Agricultural export finance	-	-	-	5,016	5,016	-
Total	\$ -	\$ -	\$ -	\$ 466,592	\$ 466,592	\$ -

Allowance for Loan Losses

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

	Balance at March 31, 2020	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2020
Real estate mortgage	\$ 342	\$ -	\$ -	\$ (2)	\$ 340
Production and intermediate-term	939	-	63	186	1,188
Agribusiness	499	-	-	203	702
Rural infrastructure	38	-	-	32	70
Agricultural export finance	2	-	-	-	2
Total	\$ 1,820	\$ -	\$ 63	\$ 419	\$ 2,302

Notes to Consolidated Financial Statements

	Balance at December 31, 2019	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2020
Real estate mortgage	\$ 416	\$ -	\$ -	\$ (76)	\$ 340
Production and intermediate-term	732	-	85	371	1,188
Agribusiness	511	-	-	191	702
Rural infrastructure	40	-	-	30	70
Agricultural export finance	2	-	-	-	2
Total	\$ 1,701	\$ -	\$ 85	\$ 516	\$ 2,302

	Balance at March 31, 2019	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2019
Real estate mortgage	\$ 297	\$ -	\$ -	\$ 95	\$ 392
Production and intermediate-term	791	-	2	(154)	639
Agribusiness	542	-	-	70	612
Rural infrastructure	36	-	-	(4)	32
Total	\$ 1,666	\$ -	\$ 2	\$ 7	\$ 1,675

	Balance at December 31, 2018	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2019
Real estate mortgage	\$ 465	\$ -	\$ -	\$ (73)	\$ 392
Production and intermediate-term	1,175	14	68	(590)	639
Agribusiness	225	-	-	387	612
Rural infrastructure	33	-	-	(1)	32
Total	\$ 1,898	\$ 14	\$ 68	\$ (277)	\$ 1,675

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 June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Balance at beginning of period	\$ 337	\$ 353	\$ 266	\$ 247
(Reversal of)/Provision for reserves for unfunded commitments	(28)	(59)	43	47
Total	\$ 309	\$ 294	\$ 309	\$ 294

Individual and Collective Impairment Evaluation

A summary of the Association's individual and collective impairment evaluation as of June 30, 2020, and December 31, 2019, is as follows (including accrued interest):

	Allowance for Loan Losses		Recorded Investments in Loans Outstanding		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
As of June 30, 2020					
Real estate mortgage	\$ -	\$ 340	\$ -	\$ 285,026	\$ 285,026
Production and intermediate-term	-	1,188	-	114,276	114,276
Agribusiness	-	702	-	85,569	85,569
Rural infrastructure	-	70	-	20,734	20,734
Agricultural export finance	-	2	-	5,010	5,010
Total	\$ -	\$ 2,302	\$ -	\$ 510,615	\$ 510,615

	Allowance for Loan Losses		Recorded Investments in Loans Outstanding		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
As of December 31, 2019					
Real estate mortgage	\$ -	\$ 416	\$ -	\$ 269,180	\$ 269,180
Production and intermediate-term	-	732	1	104,547	104,548
Agribusiness	-	511	-	77,710	77,710
Rural infrastructure	-	40	-	10,138	10,138
Agricultural export finance	-	2	-	5,016	5,016
Total	\$ -	\$ 1,701	\$ 1	\$ 466,591	\$ 466,592

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 six months ended June 30, 2020. The Association had no TDRs within the previous 12 months for which there were subsequent payment defaults during the first six months of 2020 and 2019 and had no TDRs in the portfolio for periods presented.

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 June 30, 2020	As of December 31, 2019	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	18.64%	19.88%	4.5%	2.5%	7.0%
Tier 1 capital ratio	18.64%	19.88%	6.0%	2.5%	8.5%
Total capital ratio	19.03%	20.27%	8.0%	2.5%	10.5%
Permanent capital ratio	18.70%	19.95%	7.0%	-	7.0%
Non-risk-adjusted					
Tier 1 leverage ratio	21.40%	22.54%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	22.18%	23.06%	1.5%	-	1.5%

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.

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 2019 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 June 30, 2020, and December 31, 2019. The Association had no liabilities measured at fair value on a recurring basis at June 30, 2020, or December 31, 2019.

The Association had no assets or liabilities measured at fair value on a non-recurring basis at June 30, 2020, or December 31, 2019.

Valuation Techniques

As more fully discussed in Note 2 to the 2019 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.

Loans Evaluated for Impairment

For impaired loans measured on a non-recurring basis, the fair value is based upon the underlying collateral since the loans are collateral dependent loans for which real estate is the collateral. 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. The fair value of these loans would fall under Level 2 hierarchy if the process uses independent appraisals and other market-based information.

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through August 7, 2020, which is the date the financial statements were issued, and no material subsequent events were identified.

[Page intentionally left blank]

*Ag Lending You
Can Count On*



FARM CREDIT SERVICES OF COLUSA-GLENN, ACA

2970 Davison Court
Colusa, California 95932
Phone: 530-458-2163
Fax: 530-458-2614

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

www.fcscolusaglennc.com