Yosemite Farm Credit

2023 ANNUAL REPORT

HELPING OUR MEMBERS PROSPER!

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YOSEMITE FARM CREDIT

A MESSAGE TO OUR MEMBERS

In a year of extraordinary challenges: high input costs, rising interest rates, geopolitical risk, inflationary pressures and continued supply chain disruptions, our Yosemite Farm Credit team continues to hold fast to our four Strategic Pillars.

MEMBERS - Our mission of Helping our Members Prosper guides every decision we make. We have a member focused Board and a dedicated team working together to assist you. In September, our Board declared a special patronage in response to the challenges faced by Members. Patronage returned to you effectively reduces your interest rate, lowers your cost of doing business and provides cash to cover operating expenses.

GROWTH - The complexity and diversity of agriculture continues to increase, and our commitment is to grow with you in a way that supports your needs into the future. Our team continues to seek operating enhancements that benefit the next generation of farmers and ranchers. Together we move forward, resilient, and ready for what the future brings.

SERVICE - The Yosemite Farm Credit team strives to exceed Member expectations. Our competitive advantage is our team and the way we respond to serving your needs. We have every intention of staying the course when it comes to service. We have a history of working together in good times and bad and now, more than ever, we need one another. Our goal is to ensure service and relationships are built to last for decades to come.

PEOPLE - Our team of experts is committed to the success of your business. We are here to understand your operation, grow with you, and support the goals of your family and farm. The average tenure of a Yosemite Farm Credit Loan Officer is 18 years. The tenure, technical expertise, and service culture of Yosemite Farm Credit's people are unparaleled. The Yosemite Farm Credit team works to support your success.

OPERATIONAL HIGHLIGHTS

2023 is a reflection of our members' strength and ability to manage through times of uncertainty and volatility. Your ability to meet your obligations fuel the success of your Association. The Association's credit quality remains strong.

Loans outstanding increased 7.5% to approximately $4.4 billion at year-end. Net earnings were $108 million, a result of growing loan volume and controlled expenses. 2023 earnings enabled the Association to declare a total patronage dividend of $44.4 million or 1 percent of your average daily loan balance. Yosemite Farm Credit strives to be a good steward of your capital. The earnings we retain help ensure financial strength, build a foundation for future growth and provide safeguards against economic volatility.

We are well positioned for what lies ahead and are committed to working with Members in 2024. On behalf of the Board of Directors and the Yosemite Farm Credit team, we thank you for the opportunity to serve you.

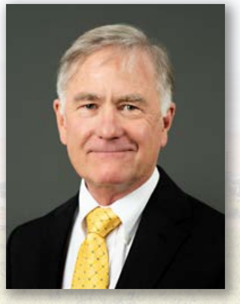
Nancy Sill
Board Chair

Tracy V. Sparks
President and Chief Executive Officer

EXECUTIVE
COMMITTEE

TRACY V. SPARKS
President and CEO

LESLIE C. CRUTCHER
EVP, CCO



JAMES C. CONNELLY
EVP, General Counsel

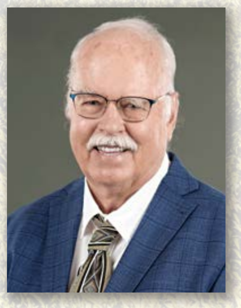
MATTHEW R. MCNELIS
EVP, CFO and Treasurer

JELINA M. SEIBERT
EVP, CAHRO

BOARD
OF DIRECTORS

ANDREW BLOOM
Board Member
Elected to the Board 2019

DAVE BROWN
Audit Committee
Elected to the Board 2019



BRUCE BURROUGHS
Audit Committee
Elected to the Board 2014

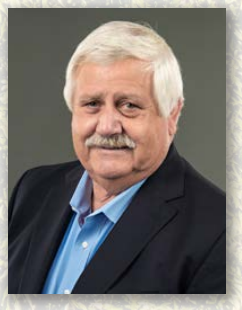
BRIAN GENZOLI
Board Member
Elected to the Board 2006

MARK JENSEN
Board Member
Elected to the Board 2014

ALICIA MADSEN
Audit Committee Chair
Appointed to the Board 2015

THOMAS MARING
Board Vice-Chair
Elected to the Board 2019

DINO MIGLIAZZO
Board Member
Elected to the Board 1994



RICK SCHEUBER
Audit Committee
Elected to the Board 1994

NANCY SILL
Board Chair
Appointed to the Board 2007

FINANCIAL HIGHLIGHTS

ASSETS (In Millions)

TOTAL ASSETS

2019	$3,386
2020	$3,618
2021	$3,987
2022	$4,316
2023	**$4,678**

RETURN ON AVERAGE ASSETS

2019	1.97%
2020	1.75%
2021	1.97%
2022	2.15%
2023	**2.48%**

EARNINGS (In Millions)

NET INCOME

2019	$63.9
2020	$59.3
2021	$72.9
2022	$87.9
2023	**$107.6**

OPERATING EXPENSES PER $100 AVERAGE LOANS

2019	$1.05
2020	$1.06
2021	$1.05
2022	$1.07
2023	**$1.09**

CAPITAL (In Millions)

TOTAL CAPITAL

2019	$556.6
2020	$590.5
2021	$634.9
2022	$691.0
2023	**$761.9**

COMMON EQUITY TIER 1 CAPITAL RATIO

2019	13.88%
2020	13.70%
2021	13.51%
2022	13.66%
2023	**14.34%**

HELPING OUR MEMBERS PROSPER!

PATRONAGE

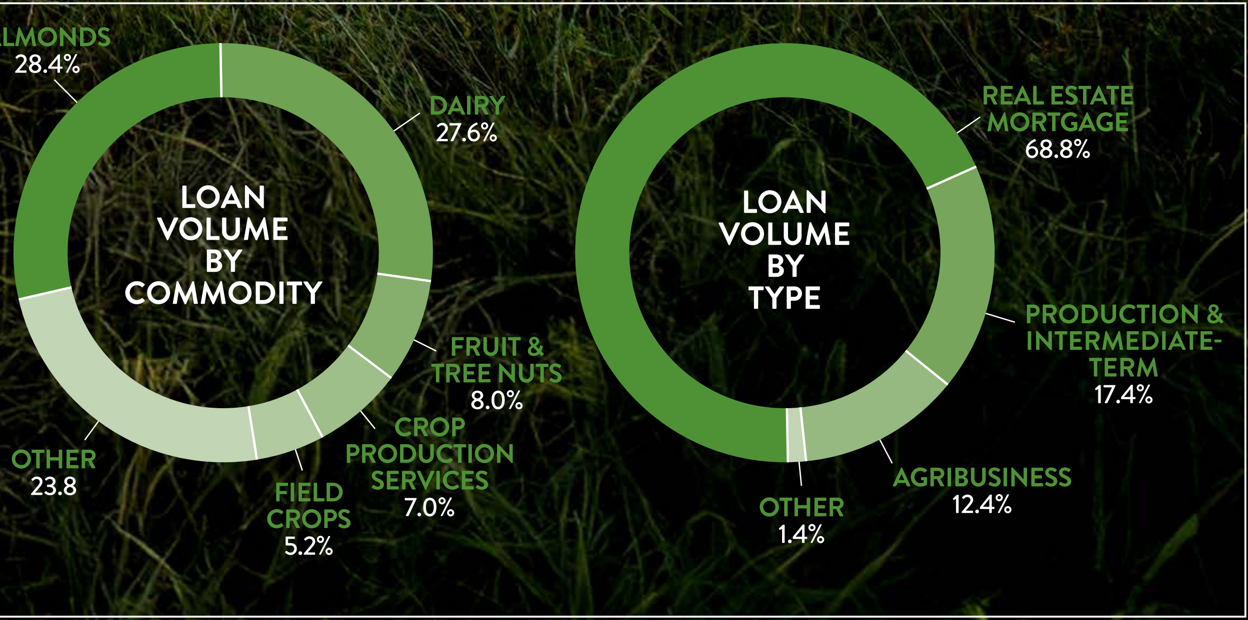
DISTRIBUTION (In Millions)
AND BASIS POINTS (BPS)

2019	75 BPS	$24.2
2020	75 BPS	$25.4
2021	75 BPS	$28.6
2022	75 BPS	$31.8
2023	**100 BPS**	**$44.4**

SHARING SUCCESS WITH OUR OWNERS

As a member-owned cooperative, we refund a portion of annual earnings to our stockholders, effectively reducing the costs of doing business with us. We've returned over $266 million to our members since 2006. For 2023 we paid out 1.00% of average loan balances to our members, representing a record cash patronage dividend.

LOAN VOLUME



2023 GIVING BACK

HELPING THE AG INDUSTRY

$117,148

HELPING THE FUTURE OF AG

$209,011

TOTAL $560,872

HELPING OUR COMMUNITY

$215,713

SCHOLARSHIPS

$19,000

5-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA

(Dollars in Thousands)

	December 31				
	2023	2022	2021	2020	2019
Consolidated Statements of Condition Data					
Loans	**$ 4,411,509**	$ 4,102,788	$ 3,798,338	$ 3,418,759	$ 3,190,991
Less allowance for credit losses on loans	**5,577**	12,471	10,464	9,606	9,957
Net loans	**4,405,932**	4,090,317	3,787,874	3,409,153	3,181,034
Investment securities - held-to-maturity	**2,227**	3,719	5,508	7,429	10,146
Investment in CoBank, ACB	**107,208**	105,703	110,569	110,086	105,951
Other assets	**162,932**	115,973	82,953	91,709	88,849
Total assets	**$ 4,678,299**	$ 4,315,712	$ 3,986,904	$ 3,618,377	$ 3,385,980
Obligations with maturities of one year or less	**$ 3,916,285**	$ 3,624,697	$ 3,351,974	$ 3,027,808	$ 2,829,383
Obligations with maturities longer than one year	**164**	55	51	80	20
Total liabilities	**3,916,449**	3,624,752	3,352,025	3,027,888	2,829,403
Stock and participation certificates	**1,911**	1,943	1,966	1,927	1,882
Unallocated retained earnings	**759,938**	689,019	632,914	588,567	554,700
Accumulated other comprehensive loss	**1**	(2)	(1)	(5)	(5)
Total shareholders' equity	**761,850**	690,960	634,879	590,489	556,577
Total liabilities and shareholders' equity	**$ 4,678,299**	$ 4,315,712	$ 3,986,904	$ 3,618,377	$ 3,385,980

	Year Ended December 31,				
	2023	2022	2021	2020	2019
Consolidated Statements of Comprehensive Income Data					
Net interest income	**$ 129,352**	$ 108,133	$ 95,741	$ 87,539	$ 86,879
Provision for credit losses/ (credit loss reversals)	**712**	1,974	829	(421)	3,112
Non-interest income	**24,813**	24,225	15,520	5,838	12,914
Non-interest expense and tax expense	**45,838**	42,479	37,485	34,532	32,737
Net income	**$ 107,615**	$ 87,905	$ 72,947	$ 59,266	$ 63,944
Amortization of retirement costs	**3**	(1)	4	—	1
Total Comprehensive Income	**$ 107,618**	$ 87,904	$ 72,951	$ 59,266	$ 63,945

Consolidated Key Financial Ratios					
For the Year					
Return on average assets	**2.48%**	2.15%	1.97%	1.75%	1.97%
Return on average shareholders' equity	**14.44%**	13.00%	11.71%	10.14%	11.63%
Net interest income as a percentage of average earning assets	**3.14%**	2.76%	2.72%	2.74%	2.86%
Net charge-offs as a percentage of average loans	**0.00%**	0.00%	0.00%	0.00%	0.01%
At Year-End					
Shareholders' equity as a percentage of assets	**16.28%**	16.01%	15.92%	16.32%	16.44%
Debt as a ratio to shareholders' equity	**5.14:1**	5.25:1	5.28:1	5.13:1	5.08:1
Allowance for credit losses on loans as a percentage of loans	**0.13%**	0.30%	0.28%	0.28%	0.31%
Common Equity Tier 1 (CET1) Capital	**14.34%**	13.66%	13.51%	13.70%	13.88%
Tier 1 Capital	**14.34%**	13.66%	13.51%	13.70%	13.88%
Total Capital	**14.50%**	13.97%	13.81%	14.01%	14.17%
Tier 1 Leverage	**15.01%**	14.23%	14.05%	14.30%	14.49%
Unallocated Retained Earnings and URE Equivalents (UREE) Leverage	**14.97%**	14.18%	14.00%	14.25%	14.43%
Permanent capital ratio	**14.36%**	13.70%	13.55%	13.74%	13.91%
Net Income Distribution					
Cash patronage distributions	**$ 42,700**	$ 28,600	$ 25,400	$ 24,234	$ 21,878
Cash patronage declared	**$ 44,400**	$ 31,800	$ 28,600	$ 25,400	$ 31,410

REPORT OF MANAGEMENT

The consolidated financial statements of Yosemite Farm Credit, ACA (Association) are prepared by management, who is responsible for their integrity and objectivity, including amounts that must necessarily be based upon judgments and estimates. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances, and in the opinion of management, fairly present the financial condition of the Association. Other financial information included in the 2023 Annual Report is consistent with the financial statements.

To meet its responsibility for reliable financial information, management depends upon the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. To monitor compliance, the Association's internal auditor and review team perform audits of the accounting records, review accounting systems and internal controls, and recommend improvements as appropriate. The Association is also examined by the Farm Credit Administration.

The Audit Committee of the Board of Directors has overall responsibility for the Association's system of internal controls and financial reporting. The Audit Committee consults regularly with management and reviews the scope and results of the work of the various entities named above. The independent auditors have direct access to the Audit Committee.

The undersigned certify that the Yosemite Farm Credit, ACA Annual Report has been reviewed and prepared in accordance with all applicable statutory and regulatory requirements, and that the information contained here is true, accurate, and complete to the best of our knowledge and belief.

Nancy Sill
Board Chair

Tracy V. Sparks
President & Chief Executive Officer

Matthew McNelis
Executive Vice President &
Chief Financial Officer

March 1, 2024

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Yosemite Farm Credit, ACA (Association) principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's consolidated financial statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

(1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its consolidated financial statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2022. In making the assessment, management used the framework in Internal Control — Integrated Framework (2013), promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of December 31, 2023, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2023.

Tracy V. Sparks
President & Chief Executive Officer

Matthew McNelis
Executive Vice President &
Chief Financial Officer

March 1, 2024

AUDIT COMMITTEE
REPORT

The Audit Committee (Committee) includes five members from the Board of Directors of Yosemite Farm Credit, ACA (Association). In 2023, five Committee meetings were held. The Committee oversees the scope of the Association's internal audit program, the independence of the outside auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter. The Committee approved the appointment of PricewaterhouseCoopers LLP (PwC) as the Association's independent auditor for 2023.

The fees paid for professional services rendered for the Association by its independent auditor, PwC, during 2023 were $263,000 for audit services and $15,700 for tax services.

The Committee reviewed the non-audit services provided by PwC and concluded these services were compatible with maintaining the independent auditor's independence.

Management is responsible for the Association's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the Association's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed the Association's quarterly reports and the Association's audited financial statements for the year ended December 31, 2023 (the "Financial Statements") with management. The Committee also reviews with PwC the matters required to be discussed by Statements on Auditing Standards. Both PwC and the Association's internal auditors directly provide reports on significant matters to the Committee.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the Board of Directors include the Financial Statements in the Association's Annual Report to Shareholders for the year ended December 31, 2023 and for filing with the FCA.

Alicia Madsen
Audit Committee Chair

Audit Committee Members:
Nancy Sill
Dave Brown
Bruce Burroughs
Rick Scheuber

March 1, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following discussion summarizes the financial position and results of operations of Yosemite Farm Credit, ACA (Association) for the year ended December 31, 2023. Comparisons with prior years are included. We have emphasized material known trends, commitments, events, or uncertainties that have impacted, or are reasonably likely to impact the financial condition and results of operations. The discussion and analysis should be read in conjunction with the accompanying consolidated financial statements, footnotes and other sections of this report. The accompanying consolidated financial statements were prepared under oversight of the Audit Committee. The Management's Discussion and Analysis includes the following sections:

- Business Overview
- Economic Overview
- Loan Portfolio
- Credit Risk Management
- Results of Operations
- Liquidity
- Capital Resources
- Regulatory Matters
- Governance
- Forward-Looking Information
- Critical Accounting Policies and Estimates
- Customer Privacy

Our quarterly reports to shareholders are available approximately 40 days after the calendar quarter end and annual reports are available approximately 75 days after the calendar year end. The reports may be obtained free of charge on our website, www.yosemitefarmcredit.com, or upon request. We are located at 806 W. Monte Vista Ave., Turlock, CA 95382 or may be contacted by calling (209) 667-2366 during business hours Monday – Friday, 8 a.m. – 5 p.m. PST.

BUSINESS OVERVIEW

Farm Credit System Structure and Mission

We are one of 56 associations in the Farm Credit System (System), which was created by Congress in 1916 and has served agricultural producers for over 100 years. The System mission is to provide sound and dependable credit to American farmers, ranchers, and producers or harvesters of aquatic products and farm-related businesses through a member-owned cooperative system. This is done by making loans and providing financial services. Through its commitment and dedication to agriculture, the System continues to have the largest portfolio of agricultural loans of any lender in the United States. The Farm Credit Administration (FCA) is the System's independent safety and soundness federal regulator and was established to supervise, examine and regulate System institutions.

Our Structure and Focus

As a cooperative, we are owned by the members we serve. The territory we serve extends across a diverse agricultural region of California's Central Valley. The counties in our territory are listed in Note 1,

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“Organization and Operations,” of the accompanying consolidated financial statements. We make long-term real estate mortgage loans to farmers, ranchers, rural residents and agribusinesses, and production and intermediate-term loans for agricultural production or operating purposes. The Association also serves as an intermediary in offering credit life insurance and multi-peril crop insurance and provides other related services such as advance conditional payment accounts and lease financing. Our success begins with extensive agricultural experience and knowledge of the market and is dependent on the level of satisfaction we provide to our borrowers.

As part of the System, we obtain the funding for our lending and operations from a Farm Credit Bank. Our funding bank, CoBank, ACB (CoBank), is a cooperative of which we are a member.

We, along with the borrower’s investment in our Association, are materially affected by CoBank’s financial condition and results of operations. The CoBank quarterly and annual 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 806 W. Monte Vista Avenue, Turlock CA 95382 or calling us at (209) 667-2366 during business hours Monday - Friday, 8:00 a.m. - 5:00 p.m. PST. Annual reports are available within 75 days after year-end and quarterly reports are available within 40 days after the calendar quarter end.

Our online banking technology is provided by CoBank. Farm Credit Foundations, a human resource service provider for a number of Farm Credit institutions, provides our payroll and human resource services. We are a shareholder in Farm Credit Foundations along with other Foundations customers. We purchase technology and other business services from AgVantis, which is a technology service corporation.

Human Capital

As of December 31, 2023, we had 175 associates employed. Our workforce is approximately 30 percent male and 70 percent female, with minorities representing approximately 23 percent of our associates.

ECONOMIC OVERVIEW

California’s agriculture sector has historically benefited from favorable economic conditions driven by robust commodity prices, escalating land values, and, to a lesser extent, governmental support, and multi-peril insurance programs. Our financial performance has been positively impacted by this overall prosperity; however, production agriculture is a cyclical business, significantly influenced by factors such as commodity prices, labor costs and availability, water expenses and availability, market interest rates, international trade disputes, adverse weather conditions, and commodity price volatility. These elements can potentially negatively impact the profitability of agricultural producers.

In the year 2023, the dairy industry experienced a decline in milk prices following a historic high in 2022. During the first and second quarters milk prices dropped rapidly, while feed prices exhibited a slower downward trend. The second half of the year faced an upward trend in milk prices and a continued decline in feed prices, which allowed many dairies the opportunity to operate closer to breakeven. Towards the end of 2023, dairy markets indicated an increase in prices and a decrease in feed costs. Other input costs including fuel, labor and supplies continued to be high. Notably, the Dairy Revenue Protection Program (DRP) was instrumental in mitigating the impact of declining milk prices.

Almonds are one of the leading agricultural crops in the San Joaquin Valley and the highest grossing export crop from the State of California. The tree nut sector faced challenges in 2023 with lower price levels, reduced yields, and elevated production costs, resulting in breakeven to below breakeven profitability in 2023. Projections for 2024 suggest that almond prices will likely remain at current levels, generally considered breakeven to below breakeven for most of the Association's almond growers. Farm commodity prices are forecast to stabilize in 2024 but will be vulnerable to abrupt changes in trade and weather, specifically drought in the west.

The fundamental advantages in the Association's territory are fertile soil, a climate conducive to diverse crops, and relatively inexpensive irrigation water. The 2022-2023 precipitation season, one of the wettest in history, allowed all water districts within the YFC lending territory to meet or exceed their typical water allocations. The reservoirs of California are heading in the 2023-2024 precipitation season in very good standing. The major reservoirs that serve the San Joaquin Valley are at approximately 120% of average as of December 31, 2023. The biggest potential challenges facing water supplies in the future are the Sustainable Groundwater Management Act (SGMA) the "Bay-Delta Water Quality Control Plan: Phase 1" (commonly referred to as "Unimpaired Flows").

Despite the softening of some commodity prices, increases in interest rates and rising input costs, land values in most of the areas monitored by the Association remain strong. This is partly due to the scarcity of properties available for sale. The YFC lending territory is generally experiencing stable land values due to desirable water resources with some softening of land values in areas that are solely reliant upon well water, with no surface water rights or marginal surface water rights.

LOAN PORTFOLIO

Total loans outstanding were $4.412 billion at December 31, 2023, an increase of $308.7 million, or 7.52% from loans at December 31, 2022 of $4.103 billion, which was an increase of $304.5 million, or 8.02% from loans at December 31, 2021 of $3.798 billion. The increase in loan volume is primarily a result of new loan requests for real estate mortgage, agribusiness, and production and intermediate-term loans.

The types of loans outstanding at December 31 are reflected in the following table ($ millions).

	2023		2022		2021	
	Outstanding	**Percent**	Outstanding	Percent	Outstanding	Percent
Real estate mortgage	**$ 3,034.3**	**68.8%**	$ 2,925.1	71.3%	$ 2,738.7	72.1%
Production and intermediate-term	**769.8**	**17.4%**	720.0	17.6%	635.8	16.7%
Agribusiness loans to:						
Cooperatives	**10.2**	**0.2%**	21.0	0.5%	18.7	0.5%
Processing and marketing	**362.5**	**8.2%**	276.8	6.8%	254.5	6.7%
Farm related business	**176.0**	**4.0%**	128.3	3.1%	125.5	3.3%
Communication	**16.5**	**0.4%**	9.5	0.2%	4.3	0.1%
Energy	**38.2**	**0.9%**	20.5	0.5%	19.1	0.5%
Water/Waste Disposal	**2.5**	**0.1%**	—	—	—	—
Rural residential real estate	**1.5**	**—**	1.6	—	1.7	0.1%
Total	**$ 4,411.5**	**100.0%**	$ 4,102.8	100.0%	$ 3,798.3	100.0%

Real estate mortgage loans outstanding increased to $3.034 billion, compared with $2.925 billion at year-end 2022, primarily due to loan requests from existing members not specific to any commodity, net of loan payoffs. Long-term mortgage loans are primarily used to purchase, refinance or improve real estate. These loans have maturities ranging from 5 to 40 years. Real estate mortgage loans are also made to rural homeowners. By federal regulation, a real estate mortgage loan must be secured by a first lien and may

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only be made in an amount up to 85% of the original appraised value of the property, or up to 97% of the appraised value, if the loan is guaranteed by certain state, federal, or other governmental agencies. Under our current underwriting standards, we originate loans less than the regulatory limit of 85% of the appraised value of the property.

The production and intermediate-term loans increased $49.8 million to $769.8 million compared with 2022 loans of $720.0 million, primarily due to loan requests from existing members not specific to any commodity, net of loan payoffs. Production loans are used to finance the ongoing operating needs of agricultural producers. Production loans generally match the borrower's normal production and marketing cycle, which is typically 12 months. Intermediate-term loans are generally used to finance depreciable capital assets of a farm or ranch. Intermediate-term loans are written for a specific term, 1 to 15 years, with most loans being less than 10 years.

Total agribusiness loans increased $122.6 million to $548.7 million compared with $426.1 million at year-end 2022, primarily due to loan requests from new and existing members in the processing and marketing loan portfolio as well as growth in the Association's Capital Markets lending group, partially offset by the sale of loan participations to mitigate risk. Agribusiness loans are made to benefit the throughput of agricultural goods to the marketplace. These loans consist of long-term mortgages on the facilities and equipment of a processor as well as short- and intermediate- operating lines of credit.

Portfolio Diversification

While we make loans and provide financially related services to qualified borrowers in agricultural and rural sectors and to certain related entities, our loan portfolio is diversified by loan and lease participations purchased and sold, geographic locations served, commodities financed, and loan size as illustrated in the following four tables.

We purchase loan participations and lease participations from other System and non-System entities to generate additional earnings and, in some cases, diversify risk related to existing commodities financed and our geographic area served. In addition, we sell a portion of certain large loans to other System and non-System entities to reduce risk and comply with lending limits we have established. These participations (both purchased and sold) provide a means to reduce the risk associated with large loans along with an opportunity to further diversify the risk associated with individual commodities.

In 2019 we entered into an agreement with Northwest Farm Credit, which allows them to offer rural residential real estate loans to our borrowers.

The balance of participations purchased and sold as of December 31 is included in the following table ($ millions).

	2023	2022	2021
Participations purchased	**$ 656.4**	$ 470.1	$ 358.6
Participations sold	**$ 582.3**	$ 518.4	$ 464.2

We have no retained subordinated participation interests in loans sold, or interests in pools of subordinated participation interests that are held in lieu of retaining a subordinated participation interest in the loans sold.

The geographic distribution of loans by county at December 31 is included in the following table. We originate and service loans in areas outside of our chartered territory with the concurrence of the Farm

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Credit associations where those loans are physically located. As previously mentioned, we purchase loan participations outside our territory which are included in "Other" in the following table. No geographic territory within "Other" represents greater than 5% of the loan portfolio.

	2023	2022	2021
Stanislaus	**38.0 %**	39.8 %	40.3 %
Merced	**32.5**	32.7	33.4
Madera	**5.3**	5.5	5.6
San Joaquin	**5.1**	4.9	5.3
Other	**19.1**	17.1	15.4
Total	**100.0%**	100.0%	100.0%

The following table shows the primary agricultural commodities produced by our borrowers based on the Standard Industrial Classification System (SIC) published by the federal government. This system is used to assign commodity or industry categories based on the primary business of the customer. A primary business category is assigned when the commodity or industry accounts for 50% or more of the total value of sales for a business; however, a large percentage of agricultural operations typically includes more than one commodity. Commodities and industries included in the portfolio as of December 31 are set forth in the following table.

	2023	2022	2021
Almonds	**28.4 %**	30.6 %	29.9 %
Dairy	**27.6**	28.4	29.7
Fruit & Tree Nuts	**8.0**	7.5	8.0
Crop Production Services	**7.0**	6.9	6.2
Field Crops	**5.2**	5.3	5.6
Other	**23.8**	21.3	20.6
Total	**100.0 %**	100.0%	100.0%

The "Other" category represents 52 loan commodities that individually do not represent a concentration of more than 5% of the loan portfolio.

We have a relatively diverse loan portfolio representing the variety of crops grown in our lending territory; however, our loan portfolio contains a concentration of dairy and almond producers as a reflection of the commodity concentration in our chartered territory. Repayment ability of our borrowers is closely related to the profitability of the commodities they produce or raise. If a loan fails to perform, restructuring and or other servicing alternatives are available. Our future performance would be negatively impacted by adverse agricultural conditions. The degree of the adverse impact would be correlated to the commodities negatively affected and the magnitude and duration of the adverse agricultural conditions to our borrowers.

In addition to commodity diversification noted in the previous table, further diversification is also achieved from loans to rural residents and part-time farmers, which typically derive most of their earnings from non-agricultural sources. These borrowers are less subject to agricultural cycles and would likely be more affected by weaknesses in the general economy. The principal balance outstanding at December 31, 2023, for loans less than $250 thousand accounted for 4.1% of loan volume and 42.8% of the number of loans. Credit risk on small loans, in many instances, may be reduced by non-farm income sources. The table below details loan principal by dollar size at December 31 ($ millions) for the last three years.

Unaudited

	2023			2022			2021	
	Amount outstanding	**Number of loans**		Amount outstanding	Number of loans		Amount outstanding	Number of loans
($ thousands)								
$1 - $250	**$ 179.0**	**2,199**	$	187.0	2,219	$	187.7	2,243
$251 - $500	**327.3**	**897**		325.3	890		335.6	918
$501 - $1,000	**610.1**	**844**		593.7	837		577.4	815
$1,001 - $5,000	**2,204.5**	**1,054**		2,100.7	1,032		1,922.5	953
$5,001 - $25,000	**1,090.6**	**140**		896.1	118		775.1	106
Total	**$ 4,411.5**	**5,134**	$	4,102.8	5,096	$	3,798.3	5,035

We are not dependent on a single borrower or a group of large liability borrowers. The loss of any of these loans or the failure of any of these loans to perform would not adversely affect the portfolio and our future operating results given the portfolio asset quality, commodity diversity and collateral values underlying the portfolio. The top ten borrowers account for 8.3% of loan volume.

To manage portfolio credit risk the Association participates in a Federal Agricultural Mortgage Corporation (Farmer Mac) purchase commitment program. Under this program Farmer Mac agrees to provide a purchase commitment to purchase loans in the event of default. The amount of loans subject to these Farmer Mac credit enhancements was $502.7 million at December 31, 2023, $475.7 million at December 31, 2022, and $441.2 million at December 31, 2021. Included in other non-interest expenses were fees paid for these Farmer Mac commitments totaling $2.1 million for 2023, $1.9 million for 2022, and $1.7 million for 2021.

Under Farmer Mac's purchase commitment program, we continue to hold the loans in our portfolio, and we pay a commitment fee to Farmer Mac to assume the balance of loans designated in this program in the event the loan becomes significantly delinquent (typically four months past due). If the borrower cures the default, we must repurchase the loan from Farmer Mac and the commitment remains in place. Farmer Mac's purchase commitment program is further described in Note 4, "Loans and Allowance for Credit Losses," of the accompanying consolidated financial statements. Other than the contractual obligations arising from these business transactions with Farmer Mac, Farmer Mac is not liable for any debt or obligation of ours and we are not liable for any debt or obligation of Farmer Mac. For more information on Farmer Mac, refer to their website at www.farmermac.com.

Additionally, the Association has credit guarantees of approximately $3.2 million with Farm Service Agency (FSA) at year-end 2023, $0.9 million at year-end 2022, and $1.5 million at year-end 2021. We use FSA guarantees to make loans to young, beginning, and small farmers, to reduce our risk on large loans, and to assist borrowers experiencing financial difficulties.

Credit Commitments

We may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of our borrowers. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in our consolidated financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower.

Unaudited

The following table summarizes the maturity distribution of unfunded credit commitments on loans and letters of credit at December 31, 2023 ($ millions).

	Due 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years	Total
Commitments to Extend Credit	$ 326.6	$ 454.2	$ 46.4	$ 474.1	$ 1,301.3
Standby Letters of Credit	$ 8.5	$ —	$ —	$ 0.4	$ 8.9

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Consolidated Statements of Condition until funded or drawn upon. The credit risk associated with issuing commitments is substantially the same as that involved in extending loans to borrowers and we apply the same credit policies to these commitments. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on our credit evaluation of the borrower. No material losses are anticipated as a result of these credit commitments. We maintain a separate reserve for unfunded commitments, which is included in other liabilities on the Consolidated Statements of Condition. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the Consolidated Statements of Comprehensive Income, along with the provision for loan losses.

The Association has entered into Lease Partner Interim Funding Agreements (IFA) with Farm Credit Leasing Services Corporation (FCL). These interim funded transactions are those in which the related leased equipment must be built or constructed over a period of time and in which invoices are paid by FCL in advance of lease commencement. Under the IFA, the Association has agreed to Participate in the related lease once it commences resulting in off-balance-sheet risk. At December 31, 2023, $11.9 million of commitments under IFA's were outstanding.

High Risk Assets

Non-performing loan volume is comprised of nonaccrual loans, restructured loans, and loans 90 days past due still accruing interest, and are referred to as impaired loans. High risk assets consist of impaired loans and other property owned. Prudent credit administration coupled with customer commitment to timely loan payments has resulted in a low level of high risk assets including nonaccrual loans.

Comparative information regarding high risk assets in the portfolio, including any interest on accruing loans, is provided in the following table as of December 31 ($ thousands).

Unaudited

	2023	2022	2021
Nonaccrual loans and leases:			
Real estate mortgage loans	**$ 13,618**	$ 1,325	$ 1,993
Production and intermediate-term loans	**6,770**	4,608	1,062
Agribusiness loans	**1,604**	1,704	1,704
Total nonaccrual loans	**$ 21,992**	$ 7,637	$ 4,759
Total accruing loans 90 days past due	**3,821**	—	—
Total nonperforming loans	**25,813**	7,637	4,759
Other property owned	—	—	—
Total nonperforming assets	**$ 25,813**	$ 7,637	$ 4,759
Nonaccrual loans as a percentage of total loans	**0.50%**	0.19%	0.13%
Nonperforming assets as a percentage of total loans and other property owned	**0.59%**	0.19%	0.13%
Nonperforming assets as a percentage of capital	**3.39%**	1.11%	0.75%

Nonaccrual loans represent all loans where there is a reasonable doubt as to collection of all principal and/or interest. Of the forty-seven loans in the nonaccrual portfolio, thirty-nine loans remain well secured and are considered fully collectible. Eight nonaccrual loans have additional weaknesses in existing facts that make collection in full questionable. Thirteen nonaccrual loans were past due 90 days or more at December 31, 2023. Nonaccrual loans increased $14.4 million at December 31, 2023 compared with the year-end 2022 due to transfers of additional loans to nonaccrual partially offset by payoffs and transfers to accrual status. Ten customers comprise approximately 85% of the total nonaccrual volume.

The following table provides additional information on nonaccrual loans at December 31 ($ thousands).

	2023	2022	2021
Nonaccrual loans current as to principal and interest	**$10,339**	$5,097	$1,921

For the years presented, we had no loans restructured or cash basis nonaccrual loans or leases. Other property owned is real or personal property that has been acquired through foreclosure, deed in lieu of foreclosure or other means. We had no other property owned for any of the periods presented.

High risk asset volume is anticipated to increase due to lower profitability in the almond and dairy commodities.

Credit Quality

We review the credit quality of the loan portfolio on an on-going basis as part of our risk management practices. Each loan is classified according to the Uniform Classification System (UCS), which is used by all System institutions. Below are the classification definitions.

- 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 as substandard assets. However, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable; and
- Loss – assets are not considered collectible.

Unaudited

The following table shows credit quality of loans and leases excluding accrued interest, as a percentage of total loans. Prior to the adoption of CECL on January 1, 2023, loans were presented with accrued interest receivables.

	2023	2022	2021
Acceptable	**91.8%**	96.6%	95.6%
OAEM	**5.3**	2.0	2.9
Substandard	**2.8**	1.3	1.5
Doubtful	**0.1**	0.1	—
Total	**100.0%**	100.0%	100.0%

As discussed in the economic overview section, recent economic conditions have presented challenges for some borrowers and our credit quality has deteriorated since year-end 2022. Loans classified as "Acceptable" or "OAEM" were 97.1% at December 31, 2023, 98.6% at December 31, 2022, and 98.5% at December 31, 2021. We had eight loans classified as doubtful at December 31, 2023, five at December 31, 2022, and one at December 31, 2021. Loan delinquencies (accruing loans 30 days or more past due) as a percentage of accruing loans increased to 1.52% at December 31, 2023, compared with 0.23% at December 31, 2022 and 0.17% at December 31, 2021.

The financial position of most agricultural producers strengthened during the past decade, and most of our borrowers have maintained generally strong financial positions. As such, our credit quality is anticipated to remain sound in the near term. However, agriculture remains a cyclical business that is heavily influenced by production, operating costs and commodity prices.

Allowance for Credit Losses

We maintain an allowance for credit losses (ACL) at a level we consider sufficient to absorb probable losses inherent in the loan portfolio and in unfunded commitments. Because the allowance for credit losses considers factors such as current agricultural and economic conditions, loan loss experience, portfolio quality and loan portfolio composition, there will be a direct impact to the allowance for credit losses and our Consolidated Statements of Comprehensive Income when there is a change in any of those factors.

Effective January 1, 2023, the ACL represents the estimated current expected credit losses over the remaining contractual life of financial assets measured at amortized cost and certain off-balance sheet credit exposures. The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are not unconditionally cancellable. The ACL comprises:

• the allowance for credit losses on loans (ACLL)
• the allowance for unfunded commitments, which is presented on the balance sheet in other liabilities

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio, considering macroeconomic conditions, forecasts and other factors prevailing at the time, may result in significant changes in the ACL in those future periods.

The provision for loan losses and changes in the reserve for unfunded commitments are included together as part of the provision for credit losses on the Consolidated Statements of Comprehensive Income. The allowance for loan losses is presented as an adjustment to the value of our loan portfolio for inherent credit losses related to the portfolio risk. The reserve for unfunded commitments is reported with other liabilities on the Association's Consolidated Statements of Condition. The reserve was $1.3 million as of December 31, 2023, $1.4 million as of December 31, 2022 and $1.5 million as of December 31, 2021.

The following table provides relevant information regarding the allowance for loan losses as of the end of the last three fiscal years ($ thousands).

	2023	2022	2021
Balance at beginning of year	**$ 12,471**	$ 10,464	$ 9,606
CECL adoption impact	**(7,068)**	—	—
Charge-offs – production and intermediate-term	**—**	—	—
Recoveries – production and intermediate-term	**—**	—	—
Transfers from (to) reserve for unfunded commitments	**(538)**	33	29
Provision for loan losses/(loan loss reversals)	**712**	1,974	829
Balance at December 31	**$ 5,577**	$ 12,471	$ 10,464

The following table provides the allowance for loan losses by loan type as of the end of the last three fiscal years ($ thousands).

	2023	**2022**	**2021**
Real estate mortgage	**$ 839**	$ 4,859	$ 4,597
Production and intermediate-term	**3,125**	4,804	3,033
Agribusiness	**1,413**	2,745	2,775
Communication	**130**	19	13
Energy	**69**	43	45
Rural residential real estate	**1**	1	1
Total	**$ 5,577**	$ 12,471	$ 10,464

The allowance for loan losses decreased $6.9 million from December 31, 2022 to $5.6 million at December 31, 2023. The decrease in allowance for loan losses was primarily due to the adoption of accounting principle "Measurement of Credit Losses on Financial Instruments" effective January 1, 2023. For additional information, refer to Note 2, "Summary of Significant Accounting Policies" of the accompanying consolidated financial statements. Provision for loan losses recorded in 2023 was $0.7 million, and transfers to reserve for unfunded commitments $538 thousand.

Transfers between the allowance for loan losses and the reserve for unfunded commitments can occur in conjunction with funding a seasonal line of credit or other loan and decreasing a related unfunded commitment or, conversely, receiving a loan payment and increasing a related unfunded commitment. Newly-executed loan commitments will also increase this liability. There were no charge-offs or recoveries recorded during 2023, 2022, or 2021. During 2022, our allowance for loan losses increased $2.0 million due to the provision for credit losses of $2.0 million that was recorded due loan growth, increased credit quality, risk exposure for the capital markets assessment of loan portfolio and the transfers for unfunded commitments of $33 thousand.

Comparative allowance for loan losses coverage as a percentage of loans and certain other credit quality indicators as of December 31 are presented in the following table.

Unaudited

	2023	2022	2021
Allowance for loan losses as a percentage of:			
Loans	**0.13%**	0.30%	0.28%
Nonaccrual loans	**25.36%**	163.30%	219.88%
Impaired loans	**21.61%**	163.30%	219.88%

For additional information, refer to Note 4, "Loans and Allowance for Credit Losses," of the accompanying consolidated financial statements.

Young, Beginning and Small Farmers and Ranchers Program

As part of the Farm Credit System, we are committed to providing sound and dependable credit and related services to young, beginning and small (YBS) farmers and ranchers. Our YBS mission statement is "To serve Young, Beginning, and Small farmers and ranchers in order to facilitate their entrance into agriculture and improve the income and well-being of both existing and prospective members by making available an adequate and dependable supply of credit along with providing closely related services necessary for their success." YBS farmers and ranchers are:

- Young Farmer: A farmer or rancher who is age 35 or younger as of the date the loan is originally made.
- Beginning Farmer: A farmer or rancher who has ten years or less farming or ranching experience as of the date the loan is originally made.
- Small Farmer: A farmer or rancher who normally generates less than $250 thousand in annual gross sales of agricultural or aquatic products at the date the loan is originally made.

The following table outlines our percentage of YBS loans as a percentage of the number of loans in our loan portfolio while the USDA column represents the percent of farmers and ranchers classified as YBS within our territory per the 2017 USDA Agricultural Census, which is the only data available as of December 31, 2023. Due to FCA regulatory definitions, a farmer/rancher may be included in multiple categories as they would be included in each category in which the definition was met.

	2023	2022	2021	USDA
Young	**12.1%**	12.9%	13.3%	11.6%
Beginning	**20.2%**	21.3%	20.8%	28.0%
Small	**13.5%**	14.3%	15.5%	72.0%

Our percentages are based on the number of loans in our portfolio, while the USDA percentages are based on the number of farmers and ranchers.

Unaudited

We establish annual quantitative targets to measure our mission to serve YBS farmers and ranchers in our territory. The targets are quantified by the number of new YBS loans as a percentage of total new loans. The targets for 2024 through 2026 are as follows:

	2024 Number of New Loans	2025 Number of New Loans	2026 Number of New Loans
Young	13%	13%	13%
Beginning	19%	19%	19%
Small			
$0-$50,000	5%	5%	5%
$50,001-$100,000	5%	5%	5%
$100,001-$250,000	4%	4%	4%
>$250,001	1%	1%	1%

Annual marketing goals established to increase market share of loans to YBS farmers and ranchers are as follows:

- Offer related services directly, or in coordination, with other organizations that are responsive to the needs of YBS farmers and ranchers in our territory;
- Take full advantage of opportunities to coordinate credit and services offered by other system institutions, governmental and private sources, to those who qualify as YBS farmers and ranchers in our territory; and,
- Implement effective outreach programs to attract YBS farmers and ranchers.

The Association financially supports and is involved in outreach activities within our lending territory in a continuing effort to achieve qualitative goals. Our staff actively participates in the Los Banos, Merced and Stanislaus county fairs. We support and promote the Merced and Stanislaus FFA project competition as well as other community educational training activities. Yosemite Farm Credit coordinates and donates to a territory wide scholarship program for students graduating from high school who plan to continue their education in the agricultural field.

To ensure that credit and services offered to our YBS farmers and ranchers are provided in a safe, sound manner, and within our risk-bearing capacity, we utilize customized underwriting standards, loan guarantee programs, and coordinated lending. YBS loans that do not meet the traditional underwriting standard require Loan Committee approval.

Management provides quarterly reports to our Board of Directors detailing the number, volume and credit quality of our YBS customers.

CREDIT RISK MANAGEMENT

Credit risk arises from the potential failure of a borrower to meet repayment obligations that result in a financial loss to the lender. Credit risk exists in our loan portfolio, in our unfunded loan commitments, and also in our standby letters of credit. Credit risk is actively managed on an individual and portfolio basis through application of sound lending and underwriting standards, policies and procedures.

Unaudited

Underwriting standards are utilized to determine an applicant's operational, financial, and managerial resources available for repaying debt within the term of the note and loan agreement. Underwriting standards include among other things, an evaluation of:

- character – borrower integrity and credit history;
- capacity – repayment capacity of the borrower based on cash flows from operations or other sources of income;
- collateral – to protect the lender in the event of default and also serve as a secondary source of loan repayment;
- capital – ability of the operation to survive unanticipated risks; and
- conditions – intended use of the loan funds, terms, restrictions, etc.

Processes for information gathering, balance sheet and income statement verification, loan analysis, credit approvals, disbursements of proceeds and subsequent loan servicing actions are established and followed.

By regulation, we cannot have loan commitments to one borrower for more than 15% of our regulatory capital. Additionally, we set our own lending limits to manage loan concentration risk. We have adopted an individual lending limit maximum of 10% of permanent capital.

We have established internal lending delegations to properly control the loan approval process. Delegations to staff are based on our risk-bearing ability, loan size, complexity, type and risk, as well as the expertise and position of the credit staff member. Larger and more complex loans or loans perceived to have higher risk are typically approved by our loan committee with the most experienced and knowledgeable credit staff serving as members.

The majority of our lending is mortgage real estate loans which must be secured by a first lien on real estate. Production and intermediate-term lending accounts for most of the remaining volume and is typically secured by livestock, crops and equipment. Collateral evaluations are completed in compliance with FCA and Uniform Standards of Professional Appraisal Practices requirements. All property is appraised at market value. All collateral evaluations must be performed by a qualified appraiser. Certain appraisals must be performed by individuals with a state certification or license.

We use a two-dimensional risk rating model (Model) based on the Farm Credit System's Combined System Risk Rating Guidance. The Model estimates each loan's probability of default (PD) and loss given default (LGD). PD estimates the probability that a borrower will experience a default within twelve months from the date of determination. LGD provides an estimation of the anticipated loss with respect to a specific financial obligation of a borrower assuming a default has occurred or will occur within the next twelve months. The Model uses objective and subjective criteria to identify inherent strengths, weaknesses, and risks in each loan. PDs and LGDs are utilized in loan and portfolio management processes and are utilized for the allowance for credit losses estimate. This Model also serves as the basis for economic capital modeling.

The Model's 14-point probability of default scale provides for nine acceptable categories, one OAEM category, two substandard categories, one doubtful category and one loss category; each carrying a distinct percentage of default probability. The Model's LGD scale provides six categories, A through F, that have the following anticipated principal loss and range of economic loss expectations:

A. 0% anticipated principal loss; 0% to 5% range of economic loss
B. 0% to 3% anticipated principal loss; ≥5% to 15% range of economic loss
C. >3% to 7% anticipated principal loss; ≥15% to 20% range of economic loss
D. >7% to 15% anticipated principal loss; ≥20% to 25% range of economic loss
E. >15% to 40% anticipated principal loss; ≥25% to 50% range of economic loss
F. above 40% anticipated loss; above 50% range of economic loss

RESULTS OF OPERATIONS

Earnings Summary

In 2023, we recorded net income of $107.6 million, compared with $87.9 million in 2022 and $72.9 million in 2021. The increase in net income in 2023 was primarily due to increased net interest income and increases in our patronage from CoBank. The increase in net income in 2022 was primarily due to increased net interest income, increases in our patronage from CoBank, and decreased prepayment fees on our note payable to CoBank.

The following table presents the changes in the significant components of net income from the previous year ($ thousands).

	2023 vs. 2022	2022 vs. 2021
Net income, prior year	**$ 87,905**	$ 72,947
Increase (decrease) from changes in:		
Interest income	**93,826**	47,857
Interest expense	**(72,607)**	(35,465)
Increase in net interest income	**21,219**	12,392
(Provision for credit losses)/credit loss reversals	**1,262**	(1,145)
Non-interest income	**588**	8,705
Non-interest expense, including tax expense	**(3,359)**	(4,994)
Total increase in net income	**19,710**	14,958
Net income, current year	**$ 107,615**	$ 87,905

Return on average assets increased to 2.48% in 2023 from 2.15% in 2022, and return on average shareholders’ equity increased to 14.4% in 2023 from 13.0% in 2022. The increase was primarily a result of increased net interest income and non-interest income.

Net Interest Income

Net interest income for 2023 was $129.4 million compared with $108.1 million for 2022 and $95.7 million for 2021. Net interest income is our principal source of earnings and is impacted by interest earning asset volume, yields on assets and cost of debt. The change in net interest income was largely due to loan growth and higher interest rates.

Unaudited

The table below provides an analysis of the individual components of the change in net interest income during 2023 and 2022 ($ thousands).

	2023 vs. 2022	2022 vs. 2021
Net interest income, prior year	$ 108,133	$ 95,741
Increase (decrease) from changes in:		
Interest rates earned	84,957	35,586
Average interest-earning assets	8,905	14,106
Loans in nonaccrual status	(37)	(1,835)
Increase in interest income	93,825	47,857
Interest rates paid	(69,482)	(31,968)
Average interest-bearing liabilities	(3,124)	(3,497)
Increase in interest expense	(72,606)	(35,465)
Increase in net interest income	21,219	12,392
Net interest income, current year	$ 129,352	$ 108,133

The following table illustrates net interest margin and the average interest rates on loans and debt cost, as well as interest rate spread at December 31.

	2023	2022	2021
Net interest margin	3.14 %	2.76 %	2.72 %
Interest rate on:			
Average loan volume	6.56 %	5.68 %	3.58 %
Average debt	4.22 %	3.32 %	1.01 %
Interest rate spread	2.34 %	2.36 %	2.57 %

The increase in net interest margin was due to higher earnings on owned funds.

Provision for Credit Losses/(Credit Loss Reversals)

We monitor our loan portfolio on a regular basis to determine if any increase through provision for credit losses or decrease through a credit loss reversal in our allowance for credit losses is warranted based on our assessment of the probable losses inherent in our loan portfolio and unfunded commitments. We recorded a net provision for credit losses of $0.7 million for the year ended December 31, 2023 compared with a net provision for credit losses of $2.0 million for the year ended December 31, 2022 and $0.8 million for the year ended December 31, 2021. The decrease in provision for credit losses during 2023 was primarily due to the change to a single allowance framework that estimates the current expected credit loss (CECL) as explained in Note 2, "Summary of Significant Accounting Policies" of the accompanying consolidated financial statement notes. The increase in provision for credit losses during 2022 was primarily due to loan growth, increased credit quality risk exposure for drought conditions as well as increased credit quality risk exposure for the capital markets segment of loan portfolio and the transfers for unfunded commitments of $33 thousand. The credit loss reversal during 2021 was primarily due to decreased risk exposure within the large loan segment as well as decreases in the default probabilities in the combined System risk rating guidance. A specific reserve was recorded on eight loans at December 31, 2023, in the amount of $3.3 million. Based upon the year-end 2023 analysis, management believes the allowance for credit losses is adequate to provide for the current risk inherent in the Association's loan portfolio and unfunded commitments.

Unaudited

Non-interest Income

During 2023, we recorded non-interest income of $24.8 million, compared with $24.2 million in 2022 and $15.5 million in 2021. Patronage distributions from CoBank are our primary source of non-interest income. Patronage is accrued in the year earned and then received from CoBank in the following year. CoBank patronage is distributed in cash and stock. Patronage earned from CoBank was $22.0 million in 2023, $21.9 million in 2022, and $19.0 million in 2021. During the year ended December 31, 2023, CoBank declared a special one-time all-cash patronage distribution to share the benefits of the exceptional business and financial results achieved in 2023 with their member-borrowers. The Association's portion of the distribution was $3.0 million, which will be paid by CoBank in March 2024. During the year ended December 31, 2022, CoBank declared a special one-time all-cash patronage distribution to share the benefits of the exceptional business and financial results achieved in 2022 with their member-borrowers. The Association's portion of the distribution was $3.6 million, which was paid by CoBank in March 2023. During the year ended December 31, 2021, CoBank declared a special one-time all-cash patronage distribution to support their member-borrowers during the uniquely challenging period of the COVID-19 pandemic. The Association's portion of the distribution was $2.8 million, which was paid by CoBank in March 2022.

The Association was not assessed any fees for prepayment of our note payable to CoBank in 2023 or 2022. The Association was assessed $5.8 million in 2021. The high volume of borrower prepayments was triggered by a historically low interest rate environment during the years ended December 31, 2022 and December 31, 2021. The assessment was included as a reduction of non-interest income on the Consolidated Statements of Comprehensive Income.

The Association participated as a lender in the Paycheck Protection Program, which is a guaranteed loan program administered by the SBA. The Association collected and recognized loan processing fees from the SBA in the amount of $0.7 million in 2021 which were included in other non-interest income on the Consolidated Statements of Comprehensive Income.

Non-interest Expense

For the year ended December 31, 2023, total non-interest expenses increased $3.4 million, or 7.9%, compared with the year ended December 31, 2022. Non-interest expenses include salaries & benefits, occupancy and equipment, insurance fund premiums and other operating expenses. Salaries and benefits increased $2.4 million, or 9.7% due to annual increases partially offset by employee retirements and turnover. Insurance fund premiums decreased $0.4 million or 6.7% due to a decrease in the premium rate partially offset by an increase in volume. Other non-interest expenses increased $1.1 million or 12.2%. Other non-interest expenses consist of accounts which are each less than 5% of total non-interest expense.

LIQUIDITY

Liquidity is necessary to meet our financial obligations. Liquidity is needed to pay our note with CoBank, fund loans and other commitments, and fund business operations in a cost-effective manner. Our liquidity policy is intended to maximize debt reduction, liquidate non-earning assets, and manage short-term cash flow. Our direct loan with CoBank, cash on hand and borrower loan repayments provide adequate liquidity to fund our on-going operations and other commitments.

A significant source of liquidity for the Association is the repayment and maturities of loans. The following table presents the contractual maturity distribution of loans by type at December 31, 2023 and indicates that approximately 10.2% of loans had maturities of one year or less ($ thousands).

Unaudited

	Due in 1 year or less	Due after 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 7,074	$ 75,735	$ 2,951,532	$ 3,034,341
Production & intermediate-term	362,115	285,656	121,981	769,752
Agribusiness	77,852	244,977	225,907	548,736
Communication	—	16,499	—	16,499
Energy	4,500	26,555	7,136	38,191
Water/Waste Disposal	—	2,458	—	2,458
Rural residential real estate	—	—	1,532	1,532
Total	$ 451,541	$ 651,880	$ 3,308,088	$ 4,411,509

Funding Sources

Our primary source of liquidity is the ability to obtain funds for our operations through a borrowing relationship with CoBank. Our note payable to CoBank is collateralized by a pledge to CoBank of substantially all of our assets. Substantially all cash received is applied to the note payable and all cash disbursements are drawn on the note payable. The indebtedness is governed by a General Financing Agreement (GFA) with CoBank which matures on May 31, 2028. We expect renewal of the GFA at that time. The annual average principal balance of the note payable to CoBank was $3.454 billion in 2023, $3.333 billion in 2022 and $2.980 billion in 2021.

We plan to continue to fund lending operations through the utilization of our funding agreement with CoBank, retained earnings from current and prior years and from borrower stock investments. CoBank's primary source of funds is the ability to issue System-wide Debt Securities to investors through the Federal Farm Credit Banks Funding Corporation. This access has traditionally provided a dependable source of competitively priced debt that is critical for supporting our mission of providing credit to agriculture and rural America. We have been able to obtain sufficient funding to meet the needs of our customers.

Interest Rate Risk

The interest rate risk inherent in our loan portfolio is substantially mitigated through our funding relationship with CoBank which allows for loans to be match-funded. Borrowings from CoBank match the pricing, maturity, and option characteristics of our loans to borrowers. CoBank manages interest rate risk through the direct loan pricing and its asset/liability management processes. Although CoBank incurs and manages the primary sources of interest rate risk, we may still be exposed to interest rate risk through the impact of interest rate changes on earnings generated from our loanable funds and through excess prepayment activity.

Funds Management

The Association offers variable rate products (Administered Variable, Prime Rate, & SOFR) as well as Fixed Rates products (Fixed-to-Conversion and Fixed-to-Maturity). Our Asset Liability Committee establishes interest rates based on the following factors: 1) the interest rate charged by CoBank; 2) our existing rates and spreads; 3) the competitive rate environment; and 4) our profitability objectives.

The United Kingdom's Financial Conduct Authority (UKFCA), the regulatory agency that supervises LIBOR, stated in July 2017 that it will phase out its support of LIBOR by the end of 2021, and that the stability of the benchmark rate beyond that date cannot be guaranteed. On March 5, 2021, the UKFCA formally announced that all LIBOR tenors will either be discontinued or no longer be representative immediately after December 31, 2021 for the GBP, JPY, CHF, EUR, and the 1-week and 2-month USD tenors, and immediately after June 30, 2023 for the remaining USD tenors.

LIBOR ceased being traded on June 30, 2023. A substantial majority of the remaining LIBOR-indexed instruments still held by Farm Credit have transitioned to SOFR pursuant to contractual fallback provisions and it is not expected that any remaining LIBOR exposure will have a material impact on Farm Credit Banks, Associations, borrowers, investors, customers, and counterparties.

At December 31, 2022, there were two LIBOR rate loans originated by the Association, and there were participations purchased in 50 LIBOR rate loans. The Association has verified with all lead Associations/ Banks that these participations include fallback arrangements or a transition to an alternate rate was in place at the end of 2022. As of December 31, 2022, LIBOR is no longer a component of the Association's administered variable rate product as this has fully transitioned to SOFR as the floating rate note component of the administered variable rate calculation with CoBank.

CAPITAL RESOURCES

Capital supports asset growth and provides protection for unexpected credit and operating losses. Capital is also needed for future growth and for investments in new products and services. We believe a sound capital position is critical to our long-term financial success due to the volatility and cycles in agriculture. Over the past several years, we have been able to build capital primarily through net income retained after patronage. Shareholders' equity at December 31, 2023 totaled $761.9 million, compared with $691.0 million at December 31, 2022 and $634.9 million at December 31, 2021. The increase of $70.9 million in shareholders' equity from December 31, 2022 to December 31, 2023 reflects net income and net stock issuances, offset by patronage refunds. Refer to Note 9, to the consolidated financial statements, "Shareholders' Equity" for additional information related to our capital and related requirements and restrictions.

Our capital position is reflected in the following ratio comparisons at December 31.

	2023	2022	2021
Debt to shareholders' equity	**5.14:1**	5.25:1	5.28:1
Shareholders' equity as a percent of net loans	**17.29%**	16.89%	16.76%
Shareholders' equity as a percent of total assets	**16.28%**	16.01%	15.92%

Debt to shareholders' equity decreased from 2022 primarily due to an increase in the note payable to CoBank of $239.6 million partially offset by an increase in retained earnings of $70.9 million. Shareholders' equity as a percent of net loans increased from 2022 primarily due to an increase in retained earnings of $70.9 million partially offset by the increase of $315.6 million in net loans outstanding from 2022.

Retained Earnings

Our retained earnings increased $70.9 million to $759.9 million at December 31, 2023 from $689.0 million at December 31, 2022, and increased $56.1 from $632.9 million at December 31, 2021. The 2023 increase was a result of net income of $107.6 million partially offset by $44.4 million of patronage distributions declared.

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Patronage Program

We have a Patronage Program that allows us to distribute our available net earnings to our shareholders. This program provides for the application of net earnings in the manner described in our Bylaws. In addition to determining the amount and method of patronage to be distributed, the Bylaws require increasing surplus to meet capital adequacy standards established by Regulations; increasing surplus to a level necessary to support competitive pricing at targeted earnings levels; and increasing surplus for reasonable reserves. Patronage distributions are based on business done with us during the year. We paid cash patronage of $42.7 million in 2023, compared to $28.6 million in 2022, and $25.4 million in 2021. During 2023, we declared patronage distributions of $44.4 million of which $10.9 million were paid in 2023 and $33.5 will be paid in March 2024.

Stock

Our total stock and participation certificates was $1.9 million at December 31, 2023, similar to $1.9 million at December 31, 2022, and $2.0 million at December 31, 2021. In accordance with the Association's capitalization bylaws, the Association has a borrower purchased capital requirement of $1,000 per customer.

Accumulated Other Comprehensive Income and Losses

Accumulated other comprehensive income totaled $1 thousand at December 31, 2023, as compared to $2 thousand loss at year-end 2022 and $1 thousand loss at year-end 2021. Certain employees participate in a non-qualified Defined Benefit Pension Restoration Plan (Plan). Accounting guidance requires recognition of the Plan's underfunded status and unamortized actuarial gains and losses and prior service costs or credits as a liability with an offsetting adjustment to accumulated other comprehensive loss.

Capital Plan and Regulatory Requirements

Our Board of Directors establishes a formal capital adequacy plan that addresses capital goals in relation to risks. The capital adequacy plan assesses the capital level necessary for financial viability and to provide for growth. Our plan is updated annually and approved by our Board of Directors. FCA regulations require the plan to consider the following factors in determining optimal capital levels, including:

- Regulatory capital requirements;
- Asset quality;
- Needs of our customer base; and
- Other risk-oriented activities, such as funding and interest rate risks, contingent and off-balance sheet liabilities and other conditions warranting additional capital.

As shown in the following table, at December 31, 2023, our capital and leverage ratios exceeded regulatory minimums. If these capital standards are not met, the FCA can impose restrictions, including limiting our ability to pay patronage distributions, retire equities and pay preferred stock dividends.

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	2023	2022	2021	Minimum Requirement with Buffer
Common Equity Tier 1 Capital Ratio	**14.34 %**	13.66 %	13.51 %	7.00 %
Tier 1 Capital Ratio	**14.34 %**	13.66 %	13.51 %	8.50 %
Total Capital Ratio	**14.50 %**	13.97 %	13.81 %	10.50 %
Tier 1 Leverage Ratio	**15.01 %**	14.23 %	14.05 %	5.00 %
Unallocated Retained Earnings and URE Equivalents (UREE) Leverage	**14.97 %**	14.18 %	14.00 %	1.50 %
Permanent capital ratio	**14.36 %**	13.70 %	13.55 %	7.00 %

The minimum ratios established were not meant to be adopted as the optimum capital level, so we have established goals in excess of the regulatory minimum. As of December 31, 2023, we have met our goals. Due to our strong capital position, we will continue to be able to retire at-risk stock.

On July 8, 2021, the FCA announced a proposed rule that would amend the Tier 1/Tier 2 capital framework to define and establish a risk weight for high-volatility commercial real estate exposures by assigning a 150% risk-weighting to such exposures, instead of the current 100% risk-weighting. The proposed rule focuses on changes that are comparable with the capital rules of other federal banking regulatory agencies and recognize the increased risk posed by high-volatility commercial real estate exposures. The public comment period on the proposed rule ended on January 24, 2022.

On April 14, 2022, the FCAS issued a final rule to address changes to its capital regulations and certain other regulations in response to the current expected credit losses (CECL) accounting standard. The regulation reflects the CECL methodology, which revises the accounting for credit losses in accordance with accounting principles generally accepted in the United States of America (GAAP), as well as conforming amendments to other regulations to accurately reference credit losses. Specifically, the regulation identifies which credit loss allowances under CECL are eligible for inclusion in a System institution's regulatory capital. Credit loss allowances related to loans, lessor's net investments in leases, and held-to-maturity debt securities would be included in a System institution's tier 2 capital up to 1.25 percent of the System institution's total risk-weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets would not be eligible for inclusion in a System institution's tier 2 capital.

REGULATORY MATTERS

As of December 31, 2023, we had no enforcement actions in effect and the FCA took no enforcement actions on us during the year.

GOVERNANCE

Board of Directors

We are governed by a ten-member board that provides direction and oversees our management. Of these directors, eight are elected by the shareholders and two are appointed by the elected directors. Our Board of Directors represents the interests of our shareholders. The Board of Directors meets regularly to perform the following functions, among others:

- selects, evaluates and compensates the chief executive officer;

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- approves the strategic plan, capital plan, financial plan and the annual operating budget;
- oversees the lending operations;
- directs management on significant issues; and
- oversees the financial reporting process, communications with shareholders and our legal and regulatory compliance.

Director Independence

All directors must exercise sound judgment in deciding matters in the Association's interest. All Association directors are independent from the perspective that none of the management or staff serve as Board members. However, we are a financial services cooperative, and the Farm Credit Act and FCA Regulations require our elected directors to have a loan relationship with us.

The elected directors, as borrowers, have a vested interest in ensuring our Association remains strong and viable. The Board has established independence criteria to ensure that a loan relationship does not compromise the independence of our Board. Annually, in conjunction with our independence analysis and reporting on our loans to directors, each director provides financial information and any other documentation and/or assertions needed for the Board to determine the independence of each Board member.

Audit Committee

The Audit Committee reports to the Board of Directors. The Audit Committee is composed of five members. During 2023, five meetings were held. The Audit Committee responsibilities generally include, but are not limited to:

- oversight of the financial reporting risk and the accuracy of the quarterly and annual shareholder reports;
- oversight of the system of internal controls related to the preparation of quarterly and annual shareholder reports;
- review and assessment of the impact of accounting and auditing developments on the consolidated financial statements;
- establishment and maintenance of procedures for the receipt, retention and treatment of confidential and anonymous submission of concerns regarding accounting, internal accounting controls or auditing matters; and
- oversight of the Association's internal audit program, the independence of the outside auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities.

Compensation Committee

The Human Capital Compensation Committee (Committee) is responsible for the oversight of employee and director compensation. The Committee is composed of six members. The Committee annually reviews, evaluates and approves the compensation policies, programs and plans for senior officers and employees including benefits programs.

Other Governance

The Board has monitored the requirements of public companies under the Sarbanes-Oxley Act. While we are not subject to the requirements of this law, we continually implement steps to strengthen governance and financial reporting. We strive to maintain strong governance and financial reporting through the following actions:

- a system for the receipt and treatment of whistleblower complaints;
- a code of ethics applicable to every director, officer, and employee;
- open lines of communication between the independent auditors, management, and the Audit Committee;
- "plain English" disclosures;
- officer certification of accuracy and completeness of the consolidated financial statements; and
- information disclosure through our website.

FORWARD-LOOKING INFORMATION

Our discussion contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," and "will," or other variations of these terms are intended to identify forward-looking statements. These statements are based on 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. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors;
- weather, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry and/or the Farm Credit System; and
- actions taken by the Federal Reserve System in implementing monetary policy.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are based on accounting principles generally accepted in the United States of America. Our significant accounting policies are critical to the understanding of the Association results of operations and financial position because some accounting policies require us to make complex or subjective judgments and estimates that may affect the value of certain assets or liabilities. We consider these policies critical because we have to make judgments about matters that are inherently uncertain. For a complete discussion of significant accounting policies, see Note 2, "Summary of Significant Accounting Policies," and Note 4, "Loans and Allowance for Credit Losses," of the accompanying consolidated financial statements. The development and selection of critical accounting policies, and the related disclosures, have been reviewed by our Audit Committee. A summary of critical policies relating to determination of the allowance for credit losses follows.

Allowance for Credit Losses

The allowance for credit losses is a combination of our allowance for loan losses and the reserve for unfunded liabilities. It is our best estimate of the amount of probable loan losses inherent in our loan portfolio as well as in our unfunded commitments as of the balance sheet date. The allowance for credit losses is increased through provisions for credit losses and loan recoveries and is decreased through credit loss reversals and loan charge-offs. We determine the allowance for credit losses based on a regular evaluation of the loan portfolio and unfunded commitments, which generally considers recent historical charge-off experience adjusted for relevant factors.

Loans and unfunded commitments are evaluated based on the borrower's overall financial condition, resources, and payment record, the prospects for support from any financially responsible guarantor and, if appropriate, the estimated net realizable value of any collateral. The allowance for credit losses attributable to these loans and unfunded commitments are established by a process that estimates the probable loss inherent in the loans and unfunded commitments, taking into account various historical and projected factors, internal risk ratings, regulatory oversight, and geographic, industry and other factors.

Changes in the factors we consider in the evaluation of losses in the loan portfolio and unfunded commitments could occur for various credit related reasons and could result in a change in the allowance for credit losses, which would have a direct impact on the provision for credit losses and results of operations. See Note 2, "Summary of Significant Accounting Policies," and Note 4, "Loans and Allowance for Credit Losses," of the accompanying consolidated financial statements for detailed information regarding the allowance for credit losses.

CUSTOMER PRIVACY

FCA regulations require that borrower information be held in confidence by Farm Credit institutions, their directors, officers and employees. FCA regulations and our Standards of Conduct Policies specifically restrict Farm Credit institution directors and employees from disclosing information not normally contained in published reports or press releases about the institution or its borrowers or members. These regulations also provide Farm Credit institutions clear guidelines for protecting their borrowers' nonpublic information.

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Report of Independent Auditors

To the Board of Directors of Yosemite Farm Credit, ACA,

Opinion

We have audited the accompanying consolidated financial statements of Yosemite Farm Credit, ACA and its subsidiaries (the "Association"), which comprise the consolidated statements of condition as of December 31, 2023, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2023, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Association changed the manner in which it accounts for the allowance for credit losses in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the 2023 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

Denver, Colorado
March 1, 2023

CONSOLIDATED STATEMENTS OF CONDITION

(Dollars in Thousands)

	December 31		
	2023	2022	2021
ASSETS			
Loans	**$ 4,411,509**	$ 4,102,788	$ 3,798,338
Less allowance for credit losses on loans	**5,577**	12,471	10,464
Net loans	**4,405,932**	4,090,317	3,787,874
Cash	**24,801**	12,396	4,380
Investment securities - held-to-maturity	**2,227**	3,719	5,508
Accrued interest receivable	**90,839**	56,424	34,800
Investment in CoBank, ACB	**107,208**	105,703	110,569
Premises and equipment, net	**18,439**	18,792	19,306
Other assets	**28,853**	28,361	24,467
Total assets	**$ 4,678,299**	$ 4,315,712	$ 3,986,904
LIABILITIES			
Note payable to CoBank, ACB	**$ 3,736,962**	$ 3,497,386	$ 3,248,890
Advance conditional payments	**120,400**	72,797	60,396
Accrued interest payable	**12,917**	9,753	2,774
Patronage distributions payable	**33,500**	31,800	28,600
Other liabilities	**12,670**	13,016	11,365
Total liabilities	**3,916,449**	3,624,752	3,352,025
Commitments and Contingencies: (See Note 15)			
SHAREHOLDERS' EQUITY			
Capital stock and participation certificates	**1,911**	1,943	1,966
Unallocated retained earnings	**759,938**	689,019	632,914
Accumulated other comprehensive income (loss)	**1**	(2)	(1)
Total shareholders' equity	**761,850**	690,960	634,879
Total liabilities and shareholders' equity	**$ 4,678,299**	$ 4,315,712	$ 3,986,904

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

CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME
(Dollars in Thousands)

	For the Year Ended December 31		
	2023	2022	2021
INTEREST INCOME			
Loans	**$ 268,412**	$ 174,540	$ 126,640
Investment securities	**140**	186	229
Total interest income	**268,552**	174,726	126,869
INTEREST EXPENSE			
Note payable to CoBank, ACB	**134,222**	65,353	30,893
Advance conditional payments	**4,978**	1,240	235
Total interest expense	**139,200**	66,593	31,128
Net interest income	**129,352**	108,133	95,741
Provision for credit losses	**712**	1,974	829
Net interest income after provision for credit losses	**128,640**	106,159	94,912
NON-INTEREST INCOME			
Patronage distribution from Farm Credit Institutions	**23,467**	23,092	19,797
Financially related services income	**140**	144	193
Note payable prepayment fees	**—**	—	(5,834)
Other non-interest income	**1,206**	989	1,364
Total non-interest income	**24,813**	24,225	15,520
NON-INTEREST EXPENSE			
Salaries and employee benefits	**27,678**	25,233	23,631
Occupancy and equipment	**2,045**	1,803	1,813
Farm Credit Insurance Fund premium	**5,982**	6,414	4,515
Other non-interest expense	**10,131**	9,027	7,524
Total non-interest expense	**45,836**	42,477	37,483
Income before income taxes	**107,617**	87,907	72,949
Provision for income taxes	**2**	2	2
Net income	**$ 107,615**	$ 87,905	$ 72,947
COMPREHENSIVE INCOME			
Amortization of retirement costs	**3**	(1)	4
Total comprehensive income	**$ 107,618**	$ 87,904	$ 72,951

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Dollars in Thousands)

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2020	$ 1,927	$ 588,567	$ (5)	$ 590,489
Comprehensive Income		72,947	4	72,951
Stock and participation certificates issued	184			184
Stock and participation certificates retired	(145)			(145)
Net patronage distributions		(28,600)		(28,600)
Balance at December 31, 2021	$ 1,966	$ 632,914	$ (1)	$ 634,879
Comprehensive Income		87,905	(1)	87,904
Stock and participation certificates issued	121			121
Stock and participation certificates retired	(144)			(144)
Net patronage distributions		(31,800)		(31,800)
Balance at December 31, 2022	$ 1,943	$ 689,019	$ (2)	$ 690,960
Adjustment to beginning balance due to change in accounting for credit losses		7,704		7,704
Balance as of January 1, 2023	1,943	696,723	(2)	698,664
Comprehensive Income		107,615	3	107,618
Stock and participation certificates issued	101			101
Stock and participation certificates retired	(133)			(133)
Net patronage distributions		(44,400)		(44,400)
Balance at December 31, 2023	**$ 1,911**	**$ 759,938**	**$ 1**	**$ 761,850**

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

CONSOLIDATED STATEMENTS OF
CASH FLOWS
(Dollars in Thousands)

	For the Year Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 107,615**	$ 87,905	$ 72,947
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	**712**	1,974	829
Depreciation and amortization	**1,265**	1,156	1,157
Gain on sales of premises and equipment	**(176)**	(55)	(47)
Stock patronage received from CoBank	**(920)**	(712)	(795)
Changes in assets and liabilities:			
Increase in accrued interest receivable	**(34,415)**	(21,624)	(698)
Increase in other assets	**(287)**	(3,814)	(5,547)
Increase in accrued interest payable	**3,164**	6,979	58
(Decrease) increase in other liabilities	**(246)**	1,683	1,819
Net cash provided by operating activities	**76,712**	73,492	69,723
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net increase in loans	**(308,721)**	(304,450)	(379,579)
Payments received on investment securities	**1,492**	1,789	1,921
(Purchase) redemption of stock in CoBank, net	**(789)**	5,498	—
Purchase of premises and equipment, net	**(736)**	(587)	(185)
Net cash used in investing activities	**(308,754)**	(297,750)	(377,843)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net draws on note payable to CoBank	**239,576**	248,496	342,097
Note payable prepayment fees	**—**	—	(6,376)
Increase (decrease) in advance conditional payments	**47,603**	12,401	(16,628)
Patronage distributions	**(42,700)**	(28,600)	(25,400)
(Retirements) issuances of capital stock and participation certificates, net	**(32)**	(23)	39
Net cash provided by financing activities	**244,447**	232,274	293,732
Net increase (decrease) increase in cash	**12,405**	8,016	(14,388)
Cash at beginning of year	**12,396**	4,380	18,768
Cash at end of year	**$ 24,801**	$ 12,396	$ 4,380

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

	For the Year Ended December 31		
	2023	2022	2021
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest	**$ 136,036**	$ 59,614	$ 31,070
Cash paid for income taxes	**$ 2**	$ 2	$ 2
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Transfer of allowance for credit losses on loans (to) from reserve for unfunded commitments	**$ (538)**	$ 33	$ 29
Cash patronage distribution payable	**$ 33,500**	$ 31,800	$ 28,600

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

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND OPERATIONS:

A. **Organization:** Yosemite Farm Credit, ACA and its subsidiaries, Yosemite Land Bank, FLCA and Yosemite Production Credit, PCA, (collectively called the "Association") are member-owned cooperatives which provide credit and credit-related services to or for the benefit of eligible borrowers/shareholders for qualified agricultural purposes in the counties of Stanislaus, Merced, Tuolumne, Mariposa and Fresno, in the state of California.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations, which was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (the "Farm Credit Act"). At December 31, 2023 the System was comprised of three Farm Credit Banks, one Agricultural Credit Bank and 56 associations.

CoBank, ACB (funding bank or the "Bank"), its related associations and AgVantis, Inc. (AgVantis) are collectively referred to as the District. CoBank provides the funding to associations within the District and is responsible for supervising certain activities of the District Associations. AgVantis, which is owned by the entities it serves, provides technology and other operational services to certain associations. The CoBank District consists of CoBank, 16 Agricultural Credit Associations (ACA), which each have two wholly owned subsidiaries, (a FLCA and a PCA), and AgVantis.

ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. Generally, the FLCA makes secured long-term agricultural real estate and rural home mortgage loans and the PCA makes short and intermediate-term loans for agricultural production or operating purposes.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System Banks and Associations. The FCA examines the activities of System institutions to ensure their compliance with the Farm Credit Act, FCA regulations and safe and sound banking practices.

The Farm Credit Act established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on System-wide debt obligations (Insured Debt), (2) to ensure the retirement of protected stock at par or stated value, and (3) for other specified purposes. The Insurance Fund is also available for discretionary use by the Insurance Corporation to provide assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. Each System Bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the "secure base amount," which is defined in the Farm Credit Act as 2.0% of the aggregate Insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or such other percentage of the aggregate obligations as the Insurance Corporation, in its sole discretion, determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums, as necessary to maintain the Insurance Fund at the 2.0% level. As required by the Farm Credit Act, as amended, the Insurance Corporation may return excess funds above the secure base amount to to System institutions.

B. **Operations:** The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow, and financial services which can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, their cooperatives, rural residents and farm-related businesses. The Association also serves as an intermediary in offering credit life insurance and multi-peril crop insurance and providing other related services such as advance conditional payment accounts and lease financing.

Upon request, stockholders of the Association will be provided with a CoBank Annual Report to Stockholders, which includes the combined financial statements of the Bank and its related Associations. The Association's financial condition may be impacted by factors that affect the Bank. The CoBank Annual Report is available free of charge on CoBank's website, www.cobank.com, or may be obtained at no charge by contacting Yosemite Farm Credit, 806 W. Monte Vista Ave., Turlock CA 95382 or calling (209) 667-2366. The CoBank Annual Report discusses the material aspects of the District's financial condition, changes in financial condition, and results of operations. In addition, the CoBank Annual Report identifies favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Insurance Corporation.

In addition, the Farm Credit Council acts as a full-service federated trade association, which represents the System before Congress, the Executive Branch and others, and provides support services to System institutions on a fee basis.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting and reporting policies of the Association conform to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires Association management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of deferred tax assets, and the determination of fair value of financial instruments and subsequent impairment analysis. Actual results may differ from these estimates. Significant estimates are discussed in these footnotes as applicable. Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year's financial statement presentation.

The consolidated financial statements include the accounts of Yosemite Land Bank, FLCA and Yosemite Production Credit, PCA and reflect the investments in and allocated earnings of the service organizations in which the Bank and Associations have partial ownership interests. All significant inter-company transactions have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements:

On January 1, 2023, the Association adopted the Financial Accounting Standards Board (FASB) guidance entitled "Measurement of Credit Losses on Financial Instruments" and other subsequently issued accounting standards updates related to credit losses. This guidance replaced the current incurred loss impairment methodology with a single allowance framework that estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets measured at amortized cost and certain off-balance-sheet credit exposures. This guidance is applied on a modified retrospective basis.

This framework requires management to consider in its estimate of the allowance for credit losses (ACL) relevant historical events, current conditions and reasonable and supportable forecasts that consider macroeconomic conditions. In addition, the guidance amends existing impairment guidance for held-to-maturity and available-for-sale investments to incorporate an allowance for credit losses related to these securities, which will allow for the reversal of credit impairments in the event that the credit of an issuer improves.

Also adopted effective January 1, 2023, was the updated guidance entitled "Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures." This guidance requires the creditor to determine whether a modification results in a new loan or a continuation of an existing loan, among other among other disclosures specific to modifications with borrowers that are experiencing financial difficulties. The update eliminated the accounting guidance for troubled debt restructurings by creditors. The update also requires disclosure of current period gross write-offs by year of origination for financing receivables and net investments in leases on a prospective basis.

The following table presents the balance sheet impact to the allowance for credit losses and capital upon adoption of this guidance on January 1, 2023:

($ millions)	December 31, 2022	CECL adoption impact	January 1, 2023
Assets:			
Allowance for credit losses on loans	$ 12,471	$ (7,068)	$ 5,403
Allowance for credit losses on investments	—	—	—
Deferred tax assets	—	—	—
Liabilities:			
Allowance for credit losses on unfunded commitments	$ 1,433	$ (636)	$ 797
Deferred tax liabilities	—	—	—
Retained earnings:			
Unallocated retained earnings, net of tax	$ 689,019	$ 7,704	$ 696,723

In December 2022, the FASB issued an update entitled "Reference Rate Reform - Deferral of the Sunset Date of Topic 848." In March 2020, the FASB issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Reference Rate Reform)," which provided optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform to ease the potential burden related to reference rate reform (transition away from the London Inter-Bank Offered Rate (LIBOR)) with the optional amendments effective as of March 12, 2020 through December 31, 2022, the sunset date. At the time the update was issued, the expectation was that LIBOR would cease to be published after December 31, 2021. The Association did not elect the optional amendments as the Association does not hold such instruments.

Subsequent to the issuance of the January 2021 update, it was announced that the intended cessation date for various tenors of LIBOR would be June 30, 2023, thus necessitating the update to the sunset date. The amendments in the current update defer the sunset date from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief.

In March 2022, the FASB issued an update entitled "Derivatives and Hedging: Fair Value Hedging – Portfolio Layer Method." Under current guidance, the last-of-layer method enables an entity to apply fair value hedging to a stated amount of a closed portfolio of prepayable financial assets (or one or more beneficial interests secured by a portfolio of prepayable financial instruments) without having to consider prepayment risk or credit risk when measuring those assets. This guidance will allow entities to apply the portfolio layer method to portfolios of all financial assets, including both prepayable and non-prepayable financial assets. This scope expansion is consistent with the FASB's efforts to simplify hedge accounting and allows entities to apply the same method to similar hedging strategies. For entities, the amendments in this update are effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. This guidance did not impact the Association's financial condition or results of operation as the System does not have a current derivative hedging strategy in which the last-of-layer method is used.

Below is a summary of significant accounting policies.

A. **Loans and Allowance for Credit Losses:** Long-term real estate mortgage loans generally have original maturities ranging from five to 40 years. Substantially all short and intermediate-term loans made for agricultural production or operating purposes have maturities of ten years or less. Loans are generally carried at their principal amount outstanding adjusted for charge-offs, deferred loan fees or costs, and valuation adjustments relating to hedging activities. Loan origination fees and direct loan origination costs are netted and capitalized, and the net fee or cost is amortized over the average life of the related loan as an adjustment to interest income. Loan prepayment fees are reported in interest income. Interest on loans is accrued and credited to interest income based on the daily principal amount outstanding.

The Association purchases loan and lease participations from other System and non-System entities to generate additional earnings and diversify risk related to existing commodities financed and the geographic area served. Additionally, the Association sells a portion of certain large loans to other System and non-System entities to reduce risk and comply with established lending limits. When loans are sold the sale terms comply with requirements under ASC 860 "Transfers and Servicing".

Nonaccrual Loans

Nonaccrual loans are loans for which there is reasonable doubt that all principal and interest will not be collected according to the original contractual terms and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. A loan is considered contractually past due when any principal repayment or interest payment required by the loan contract is not received on or before the due date. A loan shall remain contractually past due until it is modified or until the entire amount past due, including principal, accrued interest, and penalty interest incurred is collected or otherwise discharged in full.

Consisted with prior practice, loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless adequately collateralized and in the process of collection) when circumstances indicate that collection of principal and interest is in doubt or legal action, including foreclosure or other forms of collateral conveyance, have been initiated to collect the outstanding principal and interest. At the time a loan is placed in nonaccrual status, accrued interest that is considered uncollectible is reversed (if accrued in current year) or charged against the allowance for credit losses (if accrued in prior years). Loans are charged-off at the time they are determined to be uncollectible.

When loans are in nonaccrual status, interest payments received in cash are generally recognized as interest income if the collectibility of the loan principal is fully expected and certain other criteria are met. Otherwise, payments received on nonaccrual loans are applied against the recorded investment in the loan asset. Nonaccrual loans are returned to accrual status if all contractual principal and interest is current, the borrower is fully expected to fulfill the contractual repayments terms, and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

Accrued Interest Receivable
System institutions elected to continue classifying accrued interest on loans and investment securities in accrued interest receivable and not as part of loans or investments on the Condensed Combined Statement of Condition. System institutions have also elected to not estimate an allowance on interest receivable balances because the nonaccrual policies in place provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected.

Loan Modifications to Borrowers Experiencing Financial Difficulty
Loan modifications may be granted to borrowers experiencing financial difficulty. Modifications can be in the form of one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant payment delay or a term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

Collateral Dependent Loans
Collateral dependent loans are loans secured by collateral, including but not limited to agricultural real estate, crop inventory, equipment and livestock. CECL requires an entity to measure the expected credit losses based on fair value of the collateral at the reporting date when the entity determines that foreclosure is probable. Additionally, CECL allows a fair value practical expedient as a measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulties. Under the practical expedient measurement approach, the expected credit losses is based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

Allowance for Credit Losses
Effective January 1, 2023, the ACL represents the estimated current expected credit losses over the expected life of loan measured at amortized cost and certain off-balance sheet credit exposures. The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are not unconditionally cancellable. The ACL comprises:

- the allowance for credit losses on loans (ACLL)
- the allowance for unfunded commitments, which is presented on the balance sheet in other liabilities

ACLL
Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio, considering macroeconomic conditions, forecasts and other factors prevailing at the time, may result in significant changes in the ACL in those future periods. Loans are evaluated on the amortized cost basis, including premiums, discounts and fair value hedge accounting adjustments.

Methodology for Allowance for Credit Losses on Loans

The ACLL represents management's estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, including premiums and discounts.

The entity employs a disciplined process and methodology to establish its ACLL that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics.

Asset-specific loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For an asset-specific loan, expected credit losses are measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. In accordance with the entity's appraisal policy, the fair value of collateral-dependent loans is based upon independent third-party appraisals or on collateral valuations prepared by in-house appraisers. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed or non-recoverable, the credit loss portion of the loan will be charged off against the allowance for credit losses.

In estimating the component of the ACLL that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type, commodity, credit quality rating or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating using historical life-of-loan analysis periods for loan types, and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool. The pooled component of the ACLL uses a combination of Association specific and peer historical data to derive expected probability of default and severity of loss rates.

The component of the ACLL also considers factors for each loan pool to adjust for differences between the historical period used to calculate historical default and loss severity rates and expected conditions over the remaining lives of the loans in the portfolio related to:

- lending policies and procedures;
- national, regional and local economic business conditions and developments that affect the collectability of the portfolio, including the condition of various markets;
- the nature of the loan portfolio, including the terms of the loans;
- the experience, ability and depth of the lending management and other relevant staff;
- the volume and severity of past due and adversely classified or graded loans and the volume of nonaccrual loans;
- the quality of the loan review and process;
- the value of underlying collateral for collateral-dependent loans;
- the existence and effect of any concentrations of credit and changes in the level of such concentrations; and

- the effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio.

The association uses a single economic scenario over reasonable and supportable forecast period of 12 months. Subsequent to the forecast period, the institution explicitly reverts to long run historical loss experience beyond the 12 months to inform the estimate of losses for the expected life of the loan portfolio.

The economic forecasts incorporate macroeconomic variables, including unemployment rates, real gross domestic product levels, inflation rates, federal funds rate, export levels and government and consumer spending, as well as agricultural commodity and input prices. The economic forecasts are updated on a quarterly basis.

In addition to the quantitative calculation, the institution considers the imprecision inherent in the process and methodology, emerging risk assessments and other subjective factors, which may lead to a management adjustment to the modeled ACLL results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral. The economic forecasts are updated on a quarterly basis.

Prior to January 1, 2023, the allowance for loan losses was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors are considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition and prior loan loss experience. The allowance for loan losses encompassed various judgments, evaluations and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations and appraisals to change over time. Management considered a number of factors in determining and supporting the levels of the allowances for loan losses, which include, but are not limited to, the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences.

Allowance for Credit Losses on Unfunded Commitments

The entity evaluates the need for an allowance for credit losses on unfunded commitments under CECL and, if required, an amount is recognized and included in other liabilities on the Consolidated Statements of Condition. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the institution and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No allowance for credit losses are recorded for commitments that are unconditionally cancellable.

B. **Cash:** Cash, as included in the consolidated financial statements, represents cash on hand and on deposit at financial institutions. At times, cash deposits may be in excess of federally insured limits.

C. **Investment Securities:** The Association may hold investments in accordance with investment programs approved by FCA. Mortgage-backed securities issued by Farmer Mac are investments for which the Association has the intent and ability to hold to maturity and are classified as held- to-maturity and carried at cost.

Impairment is considered to be other-than-temporary if the present value of cash flows expected to be collected from the debt securities is less than the amortized cost basis of the security (any such shortfall is referred to as a "credit loss"). If an entity intends to sell an impaired debt security or is more likely than not to be required to sell the security before recovery of its amortized cost basis, the impairment is other-than-temporary and should be recognized currently in earnings in an amount equal to the entire difference between fair value and amortized cost. If a credit loss exists, but an entity does not intend to sell the impaired debt security and is not more likely than not to be required to sell before recovery, the impairment is other-than-temporary and should be separated into (i) the estimated amount relating to credit loss, and (ii) the amount relating to all other factors. Only the estimated credit loss amount is recognized currently in earnings, with the remainder of the loss amount recognized in other comprehensive income.

D. **Investment in CoBank:** The Association's required investment in CoBank is in the form of Class A Stock. The minimum required investment is 3.0% of the prior one-year average direct loan volume. The investment in CoBank is comprised of patronage based stock and purchased stock.

E. **Premises and Equipment:** Progress payments for assets under construction or development are held in construction in progress and do not begin depreciation or amortization until the asset is designated as complete and placed into service. Premises and equipment are carried at cost less accumulated depreciation and amortization. Land is carried at cost. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets. Useful lives for buildings is 30 years and ranges from 3 to 15 years for furniture, equipment and automobiles. Gains and losses on dispositions are reflected in current operating results. Maintenance and repairs are expensed and improvements above certain thresholds are capitalized. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.

F. **Other Assets and Other Liabilities:** Other assets are comprised primarily of accounts receivable, prepaid expenses, and investment in Farm Credit institutions. Significant components of other liabilities primarily include accounts payable, employee benefits, and the reserve for unfunded commitments.

G. **Advance Conditional Payments:** The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. Such payments are presented as liabilities in the Consolidated Statements of Condition. Advance Conditional Payments are not insured. Interest is paid by the Association on such accounts. The Association offers conditional trust fund accounts for its borrowers. Access to such funds is restricted and as such, these funds are netted against the borrower's related loan balance.

H. **Employee Benefit Plans:** Substantially all employees of the Association participate in the Eleventh District Defined Benefit Retirement Plan (Defined Benefit Plan) and/or the Farm Credit Foundations Defined Contribution/401(k) Plan (Defined Contribution Plan). The Defined Benefit Plan is a noncontributory plan. Benefits are based on compensation and years of service. The Association recognizes its proportional share of expense and contributes its proportional share of funding. The Defined Benefit Plan was closed to employees hired after December 31, 1997.

The Defined Contribution Plan has two components. Employees who do not participate in the Defined Benefit Plan may receive benefits through the Employer Contribution portion of the Defined Contribution Plan. In this plan, the Association provides a monthly contribution based on a defined percentage of the employee's salary. Employees may also participate in a Salary Deferral Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions. Employees hired on or after January 1, 1998 are eligible to participate only in the Defined Contribution Plan and Salary Deferral Plan. All defined contribution costs are expensed in the same period that participants earn employer contributions.

The Association also provides certain health and life insurance benefits to eligible current and retired employees through the Farm Credit Foundation Retiree Medical and Retiree Life Plans. Substantially all employees may become eligible for those benefits if they reach normal retirement age while working for the Association. The anticipated costs of these benefits are accrued during the period of the employee's active service. The authoritative accounting guidance requires the accrual of the expected cost of providing postretirement benefits during the years that the employee renders service necessary to become eligible for these benefits.

The Association also participates in the Eleventh District nonqualified defined benefit Pension Restoration Plan. This plan provides retirement benefits above the Internal Revenue Code compensation limit to certain highly compensated eligible employees. Benefits payable under this plan are offset by the benefits payable from the pension plan.

I. **Patronage Distributions:** Patronage distributions from CoBank are accrued by the Association in the year earned.

J. **Income Taxes:** As previously described, the ACA holding company conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through a wholly owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through a wholly owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, are subject to income taxes. The Association accounts for income taxes under the liability method. Accordingly, deferred taxes are recognized for estimated taxes ultimately payable or recoverable based on federal, state or local laws.

The Association elected to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage distributions. Deferred taxes are recorded on the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the Association and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50% probability), based on management's estimate, the deferred tax assets will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings.

Deferred income taxes have not been recorded by the Association on stock patronage distributions received from the Bank prior to January 1, 1993, the adoption date of accounting guidance on income taxes. Association management's intent is to permanently invest these and other undistributed earnings in the Bank, or if converted to cash, to pass through any such earnings to Association borrowers through qualified patronage allocations.

The Association has provided deferred income taxes on amounts allocated to the Association which relate to the Bank's post-1992 earnings. Deferred income taxes have not been provided on the Bank's post-1992 unallocated earnings to the extent that such earnings will be passed through to Association borrowers through qualified patronage allocations.

For California tax purposes, the Association can exclude from taxable income all patronage sourced income. Therefore, the provision for state income taxes is made only on non-patronage sourced taxable earnings.

K. **Other Comprehensive Income/(Loss):** Other comprehensive income refers to revenue, expenses, gains and losses that under GAAP are recorded as an element of shareholders' equity and comprehensive income but are excluded from net income. Accumulated other comprehensive income/(loss) refers to the balance of these transactions. The Association records other comprehensive income/loss associated with the liability under the Pension Restoration Plan (see Note 12).

L. **Fair Value Measurement:** Accounting guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets include investments that are actively traded and have quoted net asset values that are observable in the marketplace. The Association holds no Level 1 investments.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and, (d) inputs derived principally from or corroborated by observable market data by correlation or other means. The Association holds no Level 2 investments.

Level 3 — Unobservable inputs are those that are supported by little or no market activity and that are significant to the determination of the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own assumptions about factors that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. Level 3 assets include impaired loans and other property owned.

The fair value disclosures are presented in Note 16.

M. **Off-balance-sheet Credit Exposures:** Commitments to extend credit are agreements to lend to customers generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

NOTE 3 – INVESTMENT SECURITIES:

The Association may hold FCA approved investments. The following table is a summary of investments, which are held-to-maturity and have contractual maturities in excess of 10 years ($ thousands).

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	**$2,227**	**$—**	**$77**	**$2,150**	**5.74%**
Total	**$2,227**	**$—**	**$77**	**$2,150**	**5.74%**

	December 31, 2022				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	$3,719	$—	$89	$3,630	5.31%
Total	$3,719	$—	$89	$3,630	5.31%

	December 31, 2021				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	$5,508	$25	$—	$5,533	4.11%
Total	$5,508	$25	$—	$5,533	4.11%

The Association's mortgage-backed securities are all Farmer Mac. Farmer Mac securities are Agricultural Mortgage-Backed Securities which are pools of agriculture loans that have been securitized and guaranteed as to timely payment of principal and interest by Farmer Mac. Substantially all Farmer Mac securities have contractual maturities in excess of ten years. However, expected maturities for mortgage-backed securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

NOTE 4 - LOANS AND ALLOWANCE FOR CREDIT LOSSES:

A summary of loans is provided in the following table as of December 31 ($ thousands).

	2023	2022	2021
Real estate mortgage	**$ 3,034,341**	$ 2,925,076	$ 2,738,753
Production & intermediate-term	**769,752**	719,965	635,831
Agribusiness	**548,736**	426,183	398,723
Communication	**16,499**	9,508	4,276
Energy	**38,191**	20,462	19,088
Water/Waste Disposal	**2,458**	—	—
Rural residential real estate	**1,532**	1,594	1,667
Total	**$ 4,411,509**	$ 4,102,788	$ 3,798,338

Prior to the adoption of CECL on January 1 2023, loans were presented with accrued interest receivables.

Accrued interest receivable on loans of $90.8 million, $56.4 million, and $34.8 million at December 31, 2023, 2022, and 2021 respectively have been excluded from the amortized cost of loans and reported separately in the Combined Statement of Condition. The Association did not write off any accrued interest receivable during 2023.

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with FCA regulations.

The following table presents information regarding participation purchased and sold as of December 31, 2023 ($ thousands).

	Participations with Other Farm Credit Institutions		Participations with Non-Farm Credit Institutions		Total Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	**$ 178,364**	**$ 330,918**	**$ —**	**$ —**	**$ 178,364**	**$ 330,918**
Production & intermediate-term	**86,271**	**126,469**	**—**	**—**	**86,271**	**126,469**
Agribusiness	**327,256**	**124,936**	**7,350**	**—**	**334,606**	**124,936**
Communication	**16,499**	**—**	**—**	**—**	**16,499**	**—**
Energy	**38,191**	**—**	**—**	**—**	**38,191**	**—**
Water/Waste Disposal	**2,458**	**—**	**—**	**—**	**2,458**	**—**
Rural residential real estate	**—**	**—**	**—**	**—**	**—**	**—**
Total	**$ 649,039**	**$ 582,323**	**$ 7,350**	**$ —**	**$ 656,389**	**$ 582,323**

While the volumes shown in the previous tables represent the relative amounts of the Association's potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's loans are collateralized. Accordingly, the Association's exposure to credit loss associated with lending activities is considerably less than the recorded loan balances. An estimate of the Association's current loss exposure is indicated in the Consolidated Statements of Condition in the allowance for loan losses.

Credit Quality

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in our outstanding loans, letters of credit and unfunded loan commitments. The entity manages credit risk associated with the retail lending activities through an analysis of the credit risk profile of an individual borrower using its own set of underwriting standards and lending policies, approved by its board of directors, which provides direction to its loan officers. The retail credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, financial position and collateral, which includes an analysis of credit scores for smaller loans. Repayment capacity focuses on the borrower's ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income. Real estate mortgage loans must be secured by first liens on the real estate (collateral). As required by Farm Credit Administration regulations, each institution that makes loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85% of the original appraised value of the property taken as security or up to 97% of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis

The Association uses a two-dimensional loan rating model based on internally generated combined System risk rating guidance that incorporates a 14-point risk-rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default during the life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. The institution reviews, at least on an annual basis, or when a credit action is taken the probability of default category.

Each of the probability of default categories carries a distinct percentage of default probability. The 14-point risk rating scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows more rapidly as a loan moves from a "9" to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain.

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; and
- Loss – assets are considered uncollectible.

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are collateralized by first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85% (97% if guaranteed or enhanced by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in loan to value ratios in excess of the regulatory maximum.

The Association has obtained credit enhancements by entering into Purchase Commitment Agreements (Agreements) with Farmer Mac covering loans with principal balances outstanding of $502.7 million, $475.7 million and $441.2 million at December 31, 2023, 2022, and 2021, respectively. Under the Agreements, Farmer Mac agrees to purchase loans from the Association in the event of default (typically four months past due), subject to certain conditions, thereby mitigating the risk of loss from covered loans. In return, the Association pays Farmer Mac commitment fees based on the outstanding balance of loans covered by the Agreements. Such fees, totaling $2.1 million in 2023, $1.9 million in 2022, and $1.7 million in 2021 are reflected in non-interest expense.

In addition to Farmer Mac, the Association has credit guarantees from Farm Service Agency for $3.2 million, $0.9 million and $1.5 million for the years ending 2023, 2022, and 2021, respectively.

The following table shows loans and related accrued interest classified under the FCA Uniform Loan Classification system as a percentage of total loans by loan type as of December 31.

	2023	2022	2021
Real estate mortgage			
Acceptable	**91.9 %**	96.8 %	96.8 %
OAEM	**5.3**	2.2	1.9
Substandard	**2.8**	1.0	1.3
Total	**100.0 %**	100.0 %	100.0 %
Production & intermediate-term			
Acceptable	**89.8 %**	94.8 %	92.1 %
OAEM	**5.9**	2.1	5.2
Substandard	**4.1**	2.7	2.7
Doubtful	**0.2**	0.4	0.0
Total	**100.0 %**	100.0 %	100.0 %
Agribusiness			
Acceptable	**93.1 %**	98.5 %	91.7 %
OAEM	**5.4**	0.1	6.9
Substandard	**1.2**	1.0	1.0
Doubtful	**0.3**	0.4	0.4
Total	**100.0 %**	100.0 %	100.0 %
Communication			
Acceptable	**100.0 %**	100.0 %	100.0 %
Total	**100.0 %**	100.0 %	100.0 %
Energy			
Acceptable	**100.0 %**	100.0 %	100.0 %
Total	**100.0 %**	100.0 %	100.0 %
Water/Waste Disposal			
Acceptable	**100.0 %**	—	—
Total	**100.0 %**	—	—
Rural residential real estate			
Acceptable	**100.0 %**	100.0 %	100.0 %
Total	**100.0 %**	100.0 %	100.0 %
All Loans			
Acceptable	**91.8 %**	96.6 %	95.6 %
OAEM	**5.3**	2.0	2.9
Substandard	**2.8**	1.3	1.5
Doubtful	**0.1**	0.1	0.0
Total	**100.0 %**	100.0 %	100.0 %

The following table presents nonperforming assets (which consist of nonaccrual loans, accruing loans 90 days or more past due & other property owned) and related credit quality statistics as of December 31 ($ thousands).

	2023	2022	2021
Nonaccrual loans:			
Real estate mortgage	**$ 13,618**	$ 1,325	$ 1,993
Production & intermediate-term	**6,770**	4,608	1,062
Agribusiness	**1,604**	1,704	1,704
Total nonaccrual loans	**21,992**	7,637	4,759
Total accruing loans 90 days past due	**3,821**	—	—
Total nonperforming loans	**25,813**	7,637	4,759
Other property owned	**—**	—	—
Total nonperforming assets	**$ 25,813**	$ 7,637	$ 4,759

The following table reflects certain related credit quality statistics as of December 31.

	2023	2022	2021
Nonaccrual loans as a percentage of total loans	**0.50%**	0.19%	0.13%
Nonperforming assets as a percentage of total loans and other property owned	**0.59%**	0.19%	0.13%
Nonperforming assets as a percentage of capital	**3.39%**	1.11%	0.75%

The following table provides the amortized cost for nonaccrual loans with and without a related allowance for loan losses, as well as, interest income recognized on nonaccrual for the year ended December 31, 2023.

	Amortized Cost with Allowance	Amortized Cost without Allowance	Interest Income Recognized
Nonaccrual loans:			
Real estate mortgage	$ —	$ 13,619	$ 50
Production and intermediate-term	1,702	5,068	73
Agribusiness	1,603	—	—
Total nonaccrual loans	$ 3,305	$ 18,687	$ 123

The following tables provide an aging analysis of past due loans by portfolio segment ($ thousands).

December 31, 2023	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 Invest-ment >90 Days and Accruing
Real estate mortgage	**$ 32,919**	**$ 7,986**	**$ 40,905**	**$2,993,436**	**$3,034,341**	**$ 2,602**
Production & intermediate-term	**7,334**	**5,895**	**13,229**	**756,523**	**769,752**	**1,219**
Agribusiness	**11,030**	**1,604**	**12,634**	**536,102**	**548,736**	**—**
Communication	**—**	**—**	**—**	**16,499**	**16,499**	**—**
Energy	**—**	**—**	**—**	**38,191**	**38,191**	**—**
Water/Waste Disposal	**—**	**—**	**—**	**2,458**	**2,458**	**—**
Rural residential real estate	**—**	**—**	**—**	**1,532**	**1,532**	**—**
Total	**$ 51,283**	**$ 15,485**	**$ 66,768**	**$4,344,741**	**$4,411,509**	**$ 3,821**

Prior to the adoption of CECL, the aging analysis of past due loans included accrued interest as follows:

December 31, 2022	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 Invest-ment >90 Days and Accruing
Real estate mortgage	$ 1,816	$ —	$ 1,816	$2,969,105	$2,970,921	$ —
Production & intermediate-term	7,770	837	8,607	718,352	726,959	—
Agribusiness	—	1,704	1,704	427,947	429,651	—
Communication	—	—	—	9,514	9,514	—
Energy	—	—	—	20,549	20,549	—
Rural residential real estate	—	—	—	1,601	1,601	—
Total	$ 9,586	$ 2,541	$ 12,127	$4,147,068	$4,159,195	$ —

December 31, 2021	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 >90 Days and Accruing
Real estate mortgage	$ 871	$ 73	$ 944	$2,766,988	$2,767,932	$ —
Production & intermediate-term	6,382	242	6,624	633,131	639,755	—
Agribusiness	—	1,704	1,704	398,615	400,319	—
Communication	—	—	—	4,304	4,304	—
Energy	—	—	—	19,134	19,134	—
Rural residential real estate	—	—	—	1,671	1,671	—
Total	$ 7,253	$ 2,019	$ 9,272	$3,823,843	$3,833,115	$ —

Loan Modifications to Borrowers Expecting Financial Difficulties

Upon the adoption of the guidance, Financial Instruments - Credit Losses, Troubled Debt Restructurings and Vintage Disclosure, creditors are required to disclose specific modifications with borrowers that are experiencing financial difficulty.

The following table shows the **amortized cost basis** at the end of the reporting period for loan modifications granted to borrowers experiencing financial difficulty during 2023, disaggregated by loan type and type of modification granted.

For the Year Ended December 31, 2023

	Interest Rate Reduction	Term Extension	Payment Extension	Principal Forgiveness	Combination – Interest Rate & Term Extension	Combination – Interest Rate & Payment Extension	Combination – Interest Rate & Principal Forgiveness	Combination – Term Extension & Principal Forgiveness	Combination – Term Extension & Payment Extension	Combination –Payment Extension & Principal Forgiveness	Percentage of Total by Loan Type
Agribusiness	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,604	$ —	0.04 %
Total	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,604	$ —	0.04 %

There was no accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty at December 31, 2023.

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during 2023:

	Combination – Term Extension & Payment Extension
	Financial Effect
Agribusiness	Extended weighted average maturity by 63 months

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified on or after January 1, 2023, the date of the adoption of the guidance noted above, through December 31, 2023 ($ thousands):

	Payment Status of Loans Modified in the Past 12 Months		
	Not Past Due or less than 30 Days Past Due	30-89 Days Past Due	90 Days or More Past Due
Agribusiness	$ 1,604	$ —	$ —
Total	$ 1,604	$ —	$ —

No additional commitments have been lent to borrowers experiencing financial difficulty whose loans have been modified at December 31, 2023.

Troubled Debt Restructurings

Prior to January 1, 2023, the adoption of updated FASB guidance on loan modifications, a restructuring of a loan constituted a troubled debt restructuring, also known as formally restructured, if the creditor for economic or legal reasons related to the borrower's financial difficulties granted a concession to the borrower that it would not otherwise consider. Concessions varied by program and were borrower-specific and could include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven. When a restructured loan constituted a troubled debt restructuring, these loans were included within our impaired loans under nonaccrual or accruing restructured loans. The Association did not have any troubled debt restructurings for the year ending December 31, 2022 or 2021.

Credit Quality - Prior to CECL Adoption

Additional impaired loan information is as follows ($ thousands).

December 31, 2022	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Production & intermediate-term	$ 2,950	$ 2,950	$ 1,521	$ 1,761	$ —
Agribusiness	1,703	1,703	1,703	2,000	—
Total	$ 4,653	$ 4,653	$ 3,224	$ 3,761	$ —
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 1,325	$ 1,325	$ —	$ 983	$ 29
Production & intermediate-term	1,659	1,659	—	1,978	132
Agribusiness	—	—	—	33	2
Total	$ 2,984	$ 2,984	$ —	$ 2,994	$ 163
Total impaired loans:					
Real estate mortgage	$ 1,325	$ 1,325	$ —	$ 983	$ 29
Production & intermediate-term	4,609	4,609	1,521	3,739	132
Agribusiness	1,703	1,703	1,703	2,033	2
Total	$ 7,637	$ 7,637	$ 3,224	$ 6,755	$ 163

December 31, 2021	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Agribusiness	$ 1,704	$ 1,704	$ 1,703	$ 2,141	$ —
Total	$ 1,704	$ 1,704	$ 1,703	$ 2,141	$ —
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 1,993	$ 1,993	$ —	$ 5,020	$ 1,042
Production & intermediate-term	1,062	1,062	—	4,521	962
Total	$ 3,055	$ 3,055	$ —	$ 9,541	$ 2,004
Total impaired loans:					
Real estate mortgage	$ 1,993	$ 1,993	$ —	$ 5,020	$ 1,042
Production & intermediate-term	1,062	1,062	—	4,521	962
Agribusiness	1,704	1,704	1,703	2,141	—
Total	$ 4,759	$ 4,759	$ 1,703	$ 11,682	$ 2,004

Interest income was recognized and cash payments applied on nonaccrual impaired loans at December 31, 2022 and 2021 as follows ($ thousands).

	2022	2021
Interest income recognized on:		
Nonaccrual loans	$ 160	$ 1,995
Restructured accrual	—	—
Accrual loans 90 days or more past due	3	9
Interest income recognized on impaired loans	$ 163	$ 2,004

Interest income on nonaccrual loans that would have been recognized under the original terms of the loans follows ($ thousands).

	2022	2021
Interest income which would have been recognized under the original loan terms	$ 618	$ 624
Less: interest income recognized	160	1,995
Foregone (recognized) interest income	$ 458	$ (1,371)

The provision for loan losses and the reserve for unfunded commitments were included together as part of the provision for credit losses on the Consolidated Statements of Comprehensive Income. The allowance for loan losses is presented as an adjustment to the value of our loan portfolio for inherent credit losses related to portfolio risk. The reserve for unfunded commitments takes into consideration inherent losses related to unfunded commitments. These balances have been reclassified to a separate reserve for unfunded commitments, which is included in other liabilities on the Association's Consolidated Statements of Condition at December 31, 2022 and 2021.

Allowance for Credit Losses

The credit risk rating methodology is a key component of the institution's allowance for credit losses evaluation, and is generally incorporated into the institution's loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established by the institution to manage credit exposure. The regulatory limit to a single borrower or lessee is 15% of the institution's lending and leasing limit base but the institutions' boards of directors have generally established more restrictive lending limits. This limit applies to Associations with long-term and short- and intermediate-term lending authorities, and to the Banks' (other than CoBank) loan participations.

Effective January 1, 2023, the institution adopted the CECL accounting guidance as described in Note 2. A summary of changes in the allowance for credit losses by portfolio segment are as follows:

Allowance for Loan Losses	Balance at December 31, 2022	Cumulative effect of change in accg principle	Balance at January 1, 2023	Charge-offs and Recoveries Net	Transfers (to) from Reserve for Unfunded Commitments	Provision for loan losses (loan loss reversals)	Balance at December 31, 2023
Real estate mortgage	$ 4,859	$ (4,130)	$ 729	$ —	$ 10	$ 100	$ 839
Production and intermediate-term	4,804	(2,116)	2,688	—	(440)	877	3,125
Agribusiness	2,745	(826)	1,919	—	14	(520)	1,413
Communication	19	23	42	—	(107)	195	130
Energy	43	(19)	24	—	(15)	60	69
Rural residential real estate	1	—	1	—	—	—	1
Total	$ 12,471	$ (7,068)	$ 5,403	$ —	$ (538)	$ 712	$ 5,577

Allowance for Unfunded Commitment	Balance at December 31, 2022	Cumulative effect of change in accg principle	Balance at January 1, 2023	Transfers from (to) Allowance for Loan Losses	Balance at December 31, 2023	Total allowance for credit losses
Real estate mortgage	$ 215	$ (120)	$ 95	$ (10)	$ 85	$ 924
Production & intermediate-term	802	(220)	582	440	1,022	4,147
Agribusiness	394	(313)	81	(14)	67	1,480
Communication	8	23	31	107	138	268
Energy	14	(6)	8	15	23	92
Rural residential real estate	—	—	—	—	—	1
Total	$ 1,433	$ (636)	$ 797	$ 538	$ 1,335	$ 6,912

Allowance for Credit Losses - Prior to CECL Adoption

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows ($ thousands).

	December 31, 2021	Charge-offs & Recoveries Net	Transfers (to) from Reserve for Unfunded Commitments	Provision for Credit Losses/ (Credit Loss Reversals)	December 31, 2022
Real estate mortgage	$ 4,597	$ —	$ (3)	$ 265	$ 4,859
Production & intermediate-term	3,033	—	11	1,760	4,804
Agribusiness	2,775	—	39	(69)	2,745
Communication	13	—	(7)	13	19
Energy	45	—	(7)	5	43
Rural residential real estate	1	—	—	—	1
Total	$ 10,464	$ —	$ 33	$ 1,974	$ 12,471

	December 31, 2020	Charge-offs & Recoveries Net	Transfers (to) from Reserve for Unfunded Commitments	Provision for Credit Losses/ (Credit Loss Reversals)	December 31, 2021
Real estate mortgage	$ 3,706	$ —	$ (16)	$ 907	$ 4,597
Production & intermediate-term	2,552	—	(2)	483	3,033
Agribusiness	3,335	—	55	(615)	2,775
Communication	-	—	(1)	14	13
Energy	11	—	(7)	41	45
Rural residential real estate	2	—	—	(1)	1
Total	$ 9,606	$ —	$ 29	$ 829	$ 10,464

	Allowance for Loan Losses Ending Balance at December 31, 2022		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2022	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ —	$ 4,859	$ 1,325	$ 2,923,751
Production & intermediate-term	1,521	3,283	4,608	715,357
Agribusiness	1,703	1,043	1,704	424,479
Communication	—	18	—	9,508
Energy	—	43	—	20,462
Rural residential real estate	—	1	—	1,594
Total	$ 3,224	$ 9,247	$ 7,637	$ 4,095,151

	Allowance for Loan Losses Ending Balance at December 31, 2021		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2021	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ —	$ 4,597	$ 1,993	$ 2,736,760
Production & intermediate-term	—	3,033	1,062	634,769
Agribusiness	1,703	1,072	1,704	397,019
Communication	—	13	—	4,276
Energy	—	45	—	19,088
Rural residential real estate	—	1	—	1,667
Total	$ 1,703	$ 8,761	$ 4,759	$ 3,793,579

A summary of changes in the reserve for unfunded commitments is as follows ($ thousands).

	Balance at December 31, 2021	Transfers from (to) Allowance for Loan Losses	Balance at December 31, 2022
Real estate mortgage	$ 212	$ 3	$ 215
Production & intermediate-term	813	(11)	802
Agribusiness	433	(39)	394
Communication	1	7	8
Energy	7	7	14
Total	$ 1,466	$ (33)	$ 1,433

	Balance at December 31, 2020	Transfers from (to) Allowance for Loan Losses	Balance at December 31, 2021
Real estate mortgage	$ 196	$ 16	$ 212
Production & intermediate-term	811	2	813
Agribusiness	488	(55)	433
Communication	—	1	1
Energy	—	7	7
Total	$ 1,495	$ (29)	$ 1,466

NOTE 5 - INVESTMENT IN COBANK:

At December 31, 2023, the Association's investment in CoBank is in the form of Class A stock with a par value of $100 per share. The Association is required to own stock in CoBank to capitalize its direct loan balance and participation loans sold to CoBank. The current requirement for capitalizing its direct loan from CoBank is 3.00 percent of the Association's prior one-year average direct loan balance. The current requirement for capitalizing patronage-based participation loans sold to CoBank is 7.00 percent of the Association's prior ten-year average balance of such participations sold to CoBank. Under the current CoBank capital plan applicable to such participations sold, patronage from CoBank related to these participations sold is paid 75 percent cash and 25 percent Class A stock. The capital plan is evaluated annually by CoBank's board of directors and management and is subject to change.

CoBank may require the holders of its equities to subscribe for such additional capital as may be needed to meet its capital requirements for its joint and several liability under the Farm Credit Act and regulations. In making such a capital call, CoBank shall take into account the financial condition of each such holder and such other considerations, as it deems appropriate.

The Association owned approximately 2.65 percent of outstanding common stock of CoBank at December 31, 2023.

NOTE 6 - PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following as of December 31 ($ thousands).

	2023	2022	2021
Land	**$ 2,784**	$ 2,784	$ 2,784
Buildings and leasehold improvements	**19,087**	19,077	19,059
Furniture, equipment and automobiles	**7,826**	7,193	7,394
Construction in progress	**310**	386	195
Less: accumulated depreciation	**(11,568)**	(10,648)	(10,126)
Total	**$ 18,439**	$ 18,792	$ 19,306

NOTE 7 – OTHER ASSETS AND OTHER LIABILITIES:

A summary of other assets and other liabilities follows as of December 31 ($ thousands).

Other Assets	2023	2022	2021
Accounts receivable	**$ 23,015**	$ 22,597	$ 19,906
Pension asset	**4,912**	531	386
Prepaid expenses	**602**	5,061	4,018
Other	**324**	172	157
Total	**$ 28,853**	$ 28,361	$ 24,467

Other Liabilities	2023	2022	2021
Accounts payable	**$ 6,426**	$ 4,320	$ 4,337
Accrued salaries and employee benefits	**4,538**	6,991	5,167
Reserve for unfunded commitments	**1,335**	1,433	1,466
Other	**371**	272	395
Total	**$ 12,670**	$ 13,016	$ 11,365

NOTE 8 - NOTES PAYABLE TO COBANK:

The Association's indebtedness to CoBank represents borrowings by the Association to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and is governed by a General Financing Agreement (GFA). The GFA and promissory note are subject to periodic renewals in the normal course of business. The GFA matures on May 31, 2028. Management expects renewal of the GFA at that time. The Association was in compliance with the terms and conditions of the GFA as of December 31, 2023. Substantially all borrower loans are match-funded with CoBank. Payments and disbursements are made on the note payable to CoBank on the same basis the Association collects payments from and disburses on borrower loans. The interest rate may periodically be adjusted by CoBank based on the terms and conditions of the borrowing. The weighted average interest rate was 3.89% for the year ended December 31, 2023, compared with 1.96% at December 31, 2022, and 1.03% at December 31, 2021.

Under the Farm Credit Act, the Association is obligated to borrow only from CoBank, unless CoBank gives approval to borrow elsewhere. CoBank, consistent with FCA regulations, has established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2023, the Association's notes payable was within the specified limitations.

NOTE 9 – SHAREHOLDERS' EQUITY:

A description of the Association's capitalization, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below.

A. Capital Stock and Participation Certificates: In accordance with the Farm Credit Act, and association bylaws, each borrower is required to invest in the Association as a condition of borrowing. Currently the Association has a stock requirement of $1,000 per customer.

The borrower normally acquires ownership of the stock at the time the loan is made, but usually does not make a cash investment. Generally, the aggregate par value of the stock is added to the principal amount of the related loan obligation. The Association has a first lien on the stock owned by its borrowers. At the discretion of the Board of Directors, retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding stock certificate.

B. Regulatory Capitalization Requirements and Restrictions:

The following sets forth the regulatory capital ratio requirements and ratios at December 31:

Ratio	Primary Components of Numerator	Denominator	December 31, 2023	December 31, 2022	December 31, 2021	Minimum with Buffer	Minimum Requirement
Common Equity Tier 1 (CET1) Capital	Unallocated retained earnings (URE), and common cooperative equities (qualifying capital stock and allocated equity)1	Risk-weighted assets	**14.34%**	13.66%	13.51%	7.0%	4.5%
Tier 1 Capital	CET1 Capital	Risk-weighted assets	**14.34%**	13.66%	13.51%	8.5%	6.0%
Total Capital	Tier 1 Capital and allowance for loan losses2	Risk-weighted assets	**14.50%**	13.97%	13.81%	10.5%	8.0%
Tier 1 Leverage	Tier 1 Capital (at least 1.5% must be URE and URE equivalents)	Total assets	**15.01%**	14.23%	14.05%	5.0%	4.0%
Unallocated Retained Earnings and URE Equivalents (UREE) Leverage	URE and URE Equivalents	Total assets	**14.97%**	14.18%	14.00%	1.5%	1.5%
Permanent Capital	Retained earnings and common stock subject to certain limits	Risk-weighted assets	**14.36%**	13.70%	13.55%	7.0%	7.0%

[1] Equities subject to a minimum redemption or revolvement period of 7 or more years
[2] Capped at 1.25% of risk-weighted assets and inclusive of the reserve for unfunded commitments

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

An FCA regulation empowers it to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. This regulation has not been utilized to date. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

C. Description of Equities: Each share of class C capital stock is entitled to a single vote by their designated voting stockholder. Other classes of borrower equities do not provide voting rights to their owners. Voting stock may not be transferred to another person unless such person is eligible to hold voting stock.

At December 31, 2023, the Association had 382,263 shares of class C common stock certificates outstanding, all at a par value of $5.00 per share/unit.

The Association has the authority to issue other classes of stock, no shares of which are outstanding. The voting rights, duties and liabilities of such classes of stock are similar to those discussed above.

Losses that result in impairment of capital stock and participation certificates will be allocated to the classes of equity described above on a pro-rata basis. Upon liquidation of the Association, any assets remaining after the settlement of all liabilities will be distributed first to redeem the par value of equities. After these retirements, remaining assets will be distributed to holders of allocated surplus, on an equitable basis as determined by the Board. Any remaining assets after such distribution will be distributed to current and former members and other patrons in proportion to the volume or value of patronage business done with or for each such party.

D. **Patronage:** At each year end, the Board of Directors evaluates whether to retain the Association's net income to strengthen its capital position or to distribute a portion of the net income to customers by declaring a qualified/cash patronage refund. For 2023, the Association allocated 43.7% of its patronage-sourced net income to its patrons. The portion of patronage-sourced net income not distributed in cash is also allocated to patrons. In accordance with Internal Revenue Service requirements, each customer is sent a nonqualified written notice of allocation. Allocated, but not distributed patronage refunds, are included in the unallocated retained earnings account. The Board of Directors considers these unallocated retained earnings to be permanently invested in the Association. As such, there is no current plan to revolve or redeem these amounts. No express or implied right to have such capital retired or revolved at any time is granted.

E. **Accumulated Other Comprehensive Income/(Loss):** The Association reports accumulated other comprehensive income/(loss) in its Consolidated Statements of Comprehensive Income, and its Consolidated Statements of Changes in Shareholders' Equity. As more fully described in Note 2, other comprehensive income/(loss) results from the recognition of the Pension Restoration Plan's net unamortized gains and losses and prior service costs or credits. The Association has accumulated other comprehensive gains of $1 thousand in 2023, other comprehensive losses of $2 thousand in 2022 and $1 thousand in 2021. There were no other items affecting comprehensive income or loss.

NOTE 10 – PATRONAGE DISTRIBUTION FROM FARM CREDIT INSTITUTIONS:

Patronage income recognized from Farm Credit Institutions to the Association follows ($ thousands).

	2023	2022	2021
CoBank			
Direct note	**$ 17,967**	$ 18,297	$ 15,795
Participations	**4,080**	3,648	3,159
Other	**1,420**	1,147	843
Total	**$ 23,467**	$ 23,092	$ 19,797

Patronage distributed from CoBank was in cash and stock. The amount earned in 2023 was accrued and will be paid by CoBank in March 2024. The amount earned and accrued in 2022 was paid by CoBank in March 2023. The amount earned and accrued in 2021 was paid by CoBank in March 2022. During the year ended December 31, 2023, CoBank declared a special one-time all-cash patronage distribution to share the benefits of the exceptional business and financial results in 2023 with their member-borrowers. The Association's portion of the distribution was $3.0 million, which will be paid in March 2024. During the year ended December 31, 2022, CoBank declared a special one-time all-cash patronage distribution to share the benefits of the exceptional business and financial results in 2022 with their member-borrowers. The Association's portion of the distribution was $3.6 million, which was paid in March 2023. During the year ended December 31, 2021, CoBank declared a special one-time all-cash patronage distribution to support their member-borrowers during the uniquely challenging period of the COVID-19 pandemic. The Association's portion of the distribution was $2.8 million, which was paid by CoBank in March 2022.

NOTE 11 – INCOME TAXES:

The provision for income taxes follows ($ thousands).

	For the Year Ended December 31		
	2023	2022	2021
Current:			
Federal	**$ —**	$ —	$ —
State	**2**	2	2
Deferred:			
Federal	**—**	—	—
State	**—**	—	—
Provision for income taxes	**$ 2**	$ 2	$ 2

The provision for income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows ($ thousands).

	For the Year Ended December 31		
	2023	2022	2021
Federal tax at statutory rate	**$ 22,599**	$ 18,460	$ 15,319
State Tax, net	**2**	2	2
Tax exempt income	**(21,614)**	(16,912)	(13,666)
Adjustments to deferred tax asset valuation allowance	**121**	174	(190)
Patronage distributions	**(1,106)**	(1,722)	(1,463)
Provision for income taxes	**$ 2**	$ 2	$ 2

Deferred tax assets and liabilities are comprised of the following as of December 31 ($ thousands).

	2023	2022	2021
Gross deferred tax assets:			
Allowance for credit losses	**$ 1,106**	$ 1,587	$ 1,273
Loss carry-forwards	**397**	398	398
Gross deferred tax assets	**1,503**	1,985	1,671
Less: valuation allowance	**524**	961	787
Gross deferred tax assets, net of valuation allowance	**979**	1,024	884
Gross deferred tax liabilities:			
Patronage distributions from CoBank	**(744)**	(789)	(649)
Patronage refunds from CoBank	**(235)**	(235)	(235)
Gross deferred tax liabilities	**(979)**	(1,024)	(884)
Net deferred tax asset/(liability)	**$ —**	$ —	$ —

The calculation of deferred tax assets and liabilities involves various management estimates and assumptions as to future taxable earnings including the amount of non-patronage income and patronage income retained. The expected future tax rates are based upon enacted tax laws.

The Association has a valuation allowance of $524.3 thousand in 2023, $960.7 thousand in 2022 and $786.7 thousand in 2021. The Association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly. At December 31, 2023, the Association had federal and state net operating loss carry forwards that expire from 2024 to 2034.

The Association accounts for income taxes in accordance with ASC 740, which provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Association's tax returns to determine whether the tax positions are more-likely-than-not of being sustained upon examination by the applicable tax authority, based on the technical merits of the tax position, and then measuring the tax benefit that is more-likely-than-not to be realized. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current reporting period. The Association did not have any positions for which it is reasonably possible that the total amounts of unrecognized tax positions will significantly increase or decrease within the next 12 months. The Association recognizes interest and penalties related to unrecognized tax positions as an adjustment to income tax expense. The Association has no uncertain tax positions to be recognized as of December 2023, 2022, or 2021. The tax years that remain open for federal and major state income tax jurisdictions are 2019 and forward.

NOTE 12 - EMPLOYEE BENEFIT PLANS:

Certain employees participate in the Eleventh District Retirement Plan, a multi-employer defined benefit retirement plan. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan’s benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan’s termination is contingent on the sufficiency of the plan’s net assets to provide benefits at that time. This Plan is noncontributory and covers eligible employees. The assets, liabilities, and costs of the plan are not segregated by participating entities. As such, plan assets are available for any of the participating employers’ retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if the Association chooses to stop participating in the plan, it may be required to pay an amount based on the underfunded status of the plan, referred to as a withdrawal liability. Because of the multi-employer nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee moves to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of this plan.

The defined benefit pension plan reflects a total unfunded liability of $0.4 million at December 31, 2023. The pension benefits funding status reflects the net of the fair value of the plan assets and the projected benefit obligation at the date of these consolidated financial statements. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The projected benefit obligation of the plan was $243.7 million at December 31, 2023, $238.6 million at December 31, 2022, and $298.8 million at December 31, 2021. The fair value of the plan assets was $243.3 million at December 31, 2023, $236.8 million at December 31, 2022, and $291.1 million at December 31, 2021. The amount of the pension benefits funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to its current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. The Association recognizes its proportional share of expense and contributes a proportional share of funding. Total plan (income)/expense for participating employers was $4.7 million in 2023, ($1.5) million in 2022, and ($1.3) million in 2021. The Association's allocated share of plan (income)/expenses included in salaries and employee benefits was $194.2 thousand in 2023, ($97.0) thousand in 2022, and ($37.0) thousand in 2021. Participating employers contributed $1.5 million in 2023, $23.0 million in 2022, and $23.0 million in 2021 to the plan. The Association's allocated share of these pension contributions was $45.9 thousand in 2023, $0.9 million in 2022, and $1.0 million in 2021. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total employer contributions expected to be paid into the pension plans during 2023 is $1.1 million. The Association's allocated share of these pension contributions is expected to be $27.2 thousand. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than anticipated.

Postretirement benefits other than pensions are also provided through the Farm Credit Foundations Retiree Medical and Retiree Life Plans to eligible current and retired employees of the Association. Benefits provided are determined on a graduated scale, based on years of service. The anticipated costs of these benefits are accrued during the period of the employee's active service. Postretirement benefits expense (primarily health care benefits and life insurance) included in salaries and employee benefits were ($1.5) thousand in 2023, $20.0 thousand in 2022, and $19.0 thousand in 2021. These expenses are equal to the Association's cash contributions for each year.

The Association participates in a non-qualified defined benefit Pension Restoration Plan that is unfunded. The plan provides retirement benefits above the Internal Revenue Code compensation limit to certain highly compensated eligible employees. Benefits payable under the Pension Restoration Plan are offset by the benefits payable from the Pension Plan. Pension Restoration Plan expenses included in salaries and employee benefits were $1.1 thousand in 2023, $0.3 thousand in 2022, and $1.0 thousand in 2021.

The funding status and the amounts recognized in the Consolidated Statements of Condition for the Association's Pension Restoration Plan follows ($ thousands).

	2023	2022	2021
Change in benefit obligation			
Benefit obligation at the beginning of year	**$ 5**	$ 4	$ 7
Interest cost	**—**	—	—
Actuarial (gain)/loss	**(2)**	1	(2)
Benefits paid	**—**	—	(1)
Benefit obligation at the end of the period	**$ 3**	$ 5	$ 4
Funded status	**$ (3)**	$ (5)	$ (4)
Net amount recognized – December 31	**$ (3)**	$ (5)	$ (4)

Amounts recognized in the Consolidated Statements of Condition follows ($ thousands).

	2023	2022	2021
Accrued benefit liability	**$ (3)**	$ (5)	$ (4)
Net amount recognized	**$ (3)**	$ (5)	$ (4)

The following table represents the amounts included in accumulated other comprehensive income/(loss) for the Pension Restoration Plan at December 31 ($ thousands).

	2023	2022	2021
Unrecognized net actuarial (gain) loss	**$ (1)**	$ 2	$ 1
Total amount recognized in AOCI/loss	**$ (1)**	$ 2	$ 1

An estimated net actuarial loss of $(0.3) thousand for the Pension Restoration Plan will be amortized into income over the next year.

Information for pension plans with an accumulated benefit obligation in excess of plan assets at December 31 was as follows ($ thousands):

	2023	2022	2021
Accumulated benefit obligation	**$ 3**	$ 5	$ 4
Fair value of plan assets	**N/A**	N/A	N/A

Information for pension plans with a projected benefit obligation in excess of plan assets at December 31 was as follows ($ thousands):

	2023	2022	2021
Projected benefit obligation	**$ 3**	$ 5	$ 4
Fair value of plan assets	**N/A**	N/A	N/A

The net periodic pension expense for the Pension Restoration Plan included in the Consolidated Statements of Comprehensive Income is comprised of the following at December 31 ($ thousands).

	2023	2022	2021
Components of net periodic benefit cost:			
Interest cost	**$ —**	$ —	$ —
Amortized unrecognized net actuarial loss	**1**	1	1
Net periodic cost	**$ 1**	$ 1	$ 1

Changes in benefit obligation recognized in accumulated other comprehensive income are included in the following table ($ thousands).

	2023	2022	2021
Current year actuarial (gain)/loss	**$ (2)**	$ 1	$ (2)
Amortization of net actuarial gain	**(1)**	—	(2)
Total recognized in other comprehensive income	**$ 3**	$ (1)	$ 4

Weighted average assumptions used to determine benefit obligation at December 31:

	2023	2022	2021
Discount rate	**5.09 %**	4.66 %	1.54 %
Rate of compensation increase	**6.70 %**	6.70 %	4.60 %
Interest crediting rate	**N/A**	N/A	N/A

Weighted average assumptions used to determine net periodic benefit cost for years ended December 31:

	2023	2022	2021
Discount rate	**4.66 %**	1.54 %	1.03 %
Rate of compensation increase	**6.70 %**	4.60 %	4.60 %
Interest crediting rate	**N/A**	N/A	N/A

The Association does not expect to contribute to the pension restoration plan in 2023.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid ($ thousands).

Year	Pension Restoration Benefits
2024	$ —
2025	$ —
2026	$ —
2027	$ —
2028	$ —
2029 – 2033	$ 2

The Association also participates in the Farm Credit Foundations Defined Contribution/401(k) Plan (Contribution Plan). The Contribution Plan has two components. Employees who do not participate in the Pension Plan may receive benefits through the Employer Contribution portion of the Contribution Plan. In this plan, the Association provides a monthly contribution based on a defined percentage of the employee's salary. Employees may also participate in a Salary Deferral Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions. Employer contributions to the Contribution Plans were $2.1 million, $2.0 million and $1.9 million for the years ended December 31, 2023, 2022, and 2021.

NOTE 13 - RELATED PARTY TRANSACTIONS:

In the ordinary course of business, the Association enters into loan transactions with officers and directors of the Association, their immediate families and other organizations with which such persons may be associated. Such loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates, amortization schedules and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

The Association has a policy that loans to directors and senior officers must be maintained at an Acceptable or Other Assets Especially Mentioned (OAEM) credit classification. If the loan falls below the OAEM credit classification, corrective action must be taken and the loan brought back to either Acceptable or OAEM within eighteen months. If not, the director or senior officer must resign from the Board or employment.

Loan information to related parties for the years ended December 31 is shown below ($ millions).

	2023	2022	2021
New loans/advances	**$ 44.9**	$ 48.7	$ 64.8
Repayments	**$ (44.1)**	$ (46.1)	$ (45.7)
Other	**$ —**	$ —	$ (0.1)
Ending balance	**$ 101.4**	$ 100.6	$ 98.0

In the opinion of management, none of the loans outstanding to officers and directors at December 31, 2023 involved more than a normal risk of collectability.

The Association also has business relationships with certain other System entities. The Association paid $22.0 thousand in 2023, $21.5 thousand in 2022 and $21.2 thousand in 2021 to the Bank for operational services. The Association paid $250.7 thousand in 2023, $244.5 thousand in 2022 and $218.3 thousand in 2021 to Farm Credit Foundations for human resource services. The Association paid $78.4 thousand in 2023, $76.2 thousand in 2022 and $78.7 thousand in 2021 to AgVantis for technology services.

NOTE 14 – REGULATORY ENFORCEMENT MATTERS:

There are no regulatory enforcement actions in effect for the Association.

NOTE 15 - COMMITMENTS AND CONTINGENCIES:

The Association has various commitments outstanding and contingent liabilities. With regard to contingent liabilities, there are no actions pending against the Association in which claims for monetary damages are asserted.

The Association has entered into Lease Partner Interim Funding Agreements (IFA) with Farm Credit Leasing Services Corporation (FCL). These interim funded transactions are those in which the related leased equipment must be built or constructed over a period of time and in which invoices are paid by FCL in advance of lease commencement. Under the IFA, the Association has agreed to participate in the related lease once it commences, resulting in off-balance-sheet risk. At December 31, 2023, $11.9 million of commitments under IFA's were outstanding.

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers and to manage their exposure to interest rate risk. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. At December 31, 2023, $1,310.2 million of commitments to extend credit were outstanding. At December 31, 2023, there were three letters of credit outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Consolidated Statements of Condition until funded or drawn upon. The credit risk associated with issuing commitments is substantially the same as that involved in extending loans to borrowers and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

NOTE 16 – 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 an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. The fair value measurement is not an indication of liquidity. See Note 2 for additional information.

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

Assets measured at fair value on a non-recurring basis at December 31 for the fair value hierarchy Level 3 values are summarized below ($ thousands).

	Total Fair Value Level 3	Total (Losses)/ Gains
Assets:		
2023		
Impaired loans	**$ 374.7**	**$ (2,930.5)**
2022		
Impaired loans	$ 1,429.9	$ (3,224.0)
2021		
Impaired loans	$ 1.0	$ (1,704.0)

Valuation Techniques

As more fully discussed in Note 2, 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:

Impaired Loans: Fair value is estimated by discounting the expected future cash flows using the Association's current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the District's current loan origination rates as well as management estimates of credit risk. Management has no basis to determine whether the estimated fair values presented would be indicative of the assumptions and adjustments that a purchaser of the Association's loans would seek in an actual sale.

Fair value of loans in a nonaccrual status is estimated as described above, with appropriately higher interest rates, which reflect the uncertainty of continued cash flows. For noncurrent nonaccrual loans, it is assumed that collection will result only from the disposition of the underlying collateral. Fair value of these loans is estimated to equal the aggregate net realizable value of the underlying collateral, discounted at an interest rate, which appropriately reflects the uncertainty of the expected future cash flows over the average disposal period. Where the net realizable value of the collateral exceeds the legal obligation for a particular loan, the legal obligation is generally used in place of the net realizable value.

With regards to impaired loans, it is not practicable to provide specific information on inputs as each collateral property is unique. For certain loans evaluated for impairment under accounting impairment guidance, 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, 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.

NOTE 17 – QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended December 31, 2023, 2022, and 2021, follow ($ millions).

	2023				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 31.4**	**$ 31.9**	**$ 32.9**	**$ 33.2**	**$ 129.4**
Provision for credit losses/ (credit loss reversals)	**$ 0.1**	**$ 0.9**	**$ —**	**$ (0.3)**	**$ 0.7**
Non-interest expense, net	**$ 5.7**	**$ 6.0**	**$ 6.4**	**$ 3.0**	**$ 21.1**
Net income	**$ 25.6**	**$ 25.0**	**$ 26.5**	**$ 30.5**	**$ 107.6**

	2022				
	First	Second	Third	Fourth	Total
Net interest income	$ 24.9	$ 26.0	$ 28.2	$ 29.0	$ 108.1
Provision for credit losses/ (credit loss reversals)	$ —	$ 1.3	$ 0.1	$ 0.6	$ 2.0
Non-interest expense, net	$ 4.5	$ 5.9	$ 5.9	$ 1.9	$ 18.2
Net income	$ 20.4	$ 18.8	$ 22.2	$ 26.5	$ 87.9

	2021				
	First	Second	Third	Fourth	Total
Net interest income	$ 22.9	$ 24.2	$ 23.9	$ 24.7	$ 95.7
Provision for credit losses/ (credit loss reversals)	$ 0.5	$ 0.5	$ 0.1	$ (0.3)	$ 0.8
Non-interest expense, net	$ 11.0	$ 4.1	$ 5.1	$ 1.8	$ 22.0
Net income	$ 11.4	$ 19.6	$ 18.7	$ 23.2	$ 72.9

NOTE 18 – SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 1, 2024 which is the date the financial statements were issued.

DISCLOSURE
INFORMATION

DESCRIPTION OF BUSINESS

The description of the territory served, persons eligible to borrow, types of lending activities engaged in, financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference to Note 1 of the consolidated financial statements, “Organization and Operations,” included in this Annual Report to Shareholders.

The description of significant developments that had or could have a material impact on earnings or interest rates to borrowers, acquisitions or dispositions of material assets, material changes in the manner of conduct of the business, seasonal characteristics, and concentrations of assets, if any, required to be disclosed in this section, is incorporated herein by reference to, "Management's Discussion and Analysis," included in this Annual Report to Shareholders.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2023, required to be disclosed in this section is incorporated herein by reference to the, "Five-Year Summary of Selected Consolidated Financial Data," included in this Annual Report to Shareholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS

"Management's Discussion and Analysis," which appears on pages twelve through thirty-four of this Annual Report to Shareholders, and is required to be disclosed in this section, is incorporated herein by reference.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 1, 2024, appearing on page thirty-five, and the Report of Management appearing on page nine of this Annual Report to Shareholders, are incorporated herein by reference. The Board has been active in meeting its responsibility for the success of the Association. In meeting its responsibility for reliable financial information, the Board depends upon the representation of management, CoBank, ACB (the Bank) and the Association's system of internal audits and controls, as well as the results of independent audits. In 2023, the Association’s financial statements were audited by PricewaterhouseCoopers LLP and the Association’s operations and credit functions were reviewed by its own internal auditors and CoBank. The results of these audits were presented to the Audit Committee. In the opinion of management, the financial statements contained in this report fairly present the Association's year-end financial position, results of operations, and cash flows.

Unaudited

RELATIONSHIP WITH THE BANK

- The Association's statutory obligation to borrow from the Bank is discussed in Note 8 to the consolidated financial statements, "Notes Payable to CoBank," included in this Annual Report to Shareholders.
- The Bank's ability to access capital of the Association is discussed in Note 5 to the consolidated financial statements, "Investment in CoBank," included in this Annual Report to Shareholders.
- The Bank's role in mitigating the Association's exposure to interest rate risk is described in the Liquidity section of the Management's Discussion and Analysis on pages twenty-eight through twenty-nine.

DESCRIPTION OF PROPERTY

The following table sets forth certain information regarding properties of the Association.

Location:	Description:
800 W. Monte Vista Avenue Turlock, California	Administrative Branch Office Building and Land Ownership: 100% FLCA
806 W. Monte Vista Avenue Turlock, California	Administrative Branch Office Building and Land Ownership: 100% FLCA
810 W. Monte Vista Avenue Turlock, California	Turlock Branch Office Building and Land Ownership: 100% FLCA
345 W. Las Palmas Patterson, California	Patterson Branch Office Building and Land Ownership: 100% FLCA
1213 13th Street Modesto, California	Modesto Branch Office Building and Land Ownership: 100% FLCA
1415 East G Street Oakdale, California	Oakdale Branch Office Building and Land Ownership: 100% FLCA
530 Washington Los Banos, California	Los Banos Branch Office Building and Land Ownership: 100% FLCA
760 W. 18th Street Merced, California	Merced Branch Office Building and Land Ownership: 100% FLCA

Unaudited

DESCRIPTION OF LIABILITIES

The description of rights and obligations, and contingent liabilities required to be disclosed in this section is incorporated herein by reference to Notes 7, 8 and 15 to the consolidated financial statements, "Other Assets and Other Liabilities," "Notes Payable to CoBank," and "Commitments and Contingencies," included in this Annual Report to Shareholders.

DESCRIPTION OF CAPITAL STRUCTURE

Information required in this section is incorporated herein by reference to Note 9 to the consolidated financial statements, "Shareholders' Equity," included in this Annual Report to Shareholders.

LEGAL PROCEEDINGS AND ENFORCEMENT ACTIONS

Information required in this section is incorporated herein by reference to Note 15 to the consolidated financial statements, "Commitments and Contingencies," included in the Annual Report to Shareholders.

DIRECTORS

Farm Credit Administration (FCA) regulations require the disclosure of Directors' business experience for the last five years, other business interests on whose board the Director serves or where the Director serves as a senior officer, the name of the position held and the principal business in which the business is engaged, compensation and reimbursement received as an Association Director and certain other information. The following represents these disclosures for the Directors of Yosemite Farm Credit, ACA.

Nancy Sill, Appointed Director / Board Chair / Audit Committee Vice-Chair
Term of Office: 2022-2025
Nancy, an outside director, was first appointed to the Board in 2007. Nancy was the Instructional Dean of Business, Behavioral and Social Sciences at Modesto Junior College (MJC) (2017 to July 2022). Nancy is an instructor at Yosemite Community College District, a Certified Public Accountant and a member of the Resource and Facilities Council at Modesto Junior College. Nancy and her husband own/operate Westside Machine and Welding a California S Corporation in Patterson. Nancy also owns and manages a walnut orchard in the Patterson area. Nancy served as member of the Finance Council for Sacred Heart Catholic Church in Patterson 2011-2022. Nancy is also a member of the Patterson High School Ag Advisory Committee and the Sacred Heart Church J. Lopes Endowment Committee.

Thomas Maring, Director and Board Vice-Chair
Term of Office: 2022-2025
For the past five years Tom has been a self-employed farmer in the Westley area. Tom is also a partner in T&M Farms and Maring Partner, the treasurer of Patterson Tire Company, the Vice President of Palm Tree Packing, partner in Rancho San Antonio Valley, LLC, and Cottonwood Partners. Tom also serves on the Board for West Stanislaus Growers Association. The businesses are principally involved in Grapes, Almonds, Cherries, and diversified field and row crop farming. Tom is also a firefighter for the Westley - El Solyo Fire Department, a director of the West Stanislaus Resource Conservation District and a Commissioner of the Stanislaus County Planning Commission.

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Brian Genzoli, Director

Term of Office: 2021-2024

For the past five years Brian has been a self-employed farmer in the Turlock area, and his business is principally involved in the farming of almonds. Brian is a partner with Genzoli Family Farm, LLC, a board member of the Turlock Rural Fire District, and a member of the Blue Diamond Growers, the Stanislaus Farm Bureau, and the Kiwanis of Greater Turlock.

Dino Migliazzo, Director

Term of Office: 2021-2024

For the past five years Dino has been an owner/operator for Migliazzo & Sons Dairy, GP in the Atwater area. The business is principally involved in milk production. Dino also serves as a member of the Merced College Ag-Advisory Committee.

Rick Scheuber, Director

Term of Office: 2021-2024

For the past five years Rick has been a self-employed farmer in the Patterson area. Rick is also a managing member of Scheuber Farms, LLC. The business is principally involved in almonds, and diversified field and row crop farming. Rick also serves on the District Farm Credit Council Board.

Andrew Bloom, Director and Human Capital Compensation Committee Vice-Chair

Term of Office: 2022-2025

For the past five years Andrew has been a self-employed farmer and Pest Control Advisor in the Gustine area. Andrew is also involved in Chemical Sales and Custom Farming and Spraying. The businesses are principally involved in tree nuts, custom farming and harvesting, and diversified field and row crop farming. Andrew is a director of the Central California Irrigation District, a member of the California Walnut Commission, owner/operator of Bloom Farms, and the Manager of Bloom Chemical Company, LLC. Andrew also served as the chairman for the Gustine Unified Bond Oversight Committee.

David (Dave) Brown, Director

Term of Office: 2022-2025

For the past five years Dave has been a self-employed farmer/rancher in the Waterford area. The businesses are principally involved in tree nuts, diversified field crops and a cow/calf operation. Dave serves as the board chairman of Stanislaus Farm Supply. He also serves as a board member of the Ceres Unified School District Board, the Oakdale Cowboy Museum, the Stanislaus County Beef Supporters, the chairman of the Ceres Livestock Boosters, and a director of the Stanislaus Farm Bureau.

Bruce Burroughs, Director

Term of Office: 2023-2026

For the past five years Bruce has been a dairyman and almond grower in the Denair area. Bruce is a director and holds an officer position for the California Livestock Producers (Self-Insured Group) and Burroughs Management Inc. Bruce is also a general partner/voting member with Sierra Vista Dairy, LP, B&B Burroughs Ranches, LP, and BruBar Properties, LLC. The businesses are principally involved in milk production, tree nuts and commercial property ownership.

Mark Jensen, Director and Human Capital Compensation Committee Chair

Term of Office: 2023-2027

For the past five years Mark's principal occupation has been a practicing attorney with Jensen & Jensen Attorneys in Modesto. His principal occupation also includes involvement with several farming entities. Mark is a director and holds an officer position in Patterson Nut Co., Inc., Patterson Nut Marketing Co.,

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Inc., and J. Wilmar Jensen Inc. Mark is a general partner in Jensen & Jensen Attorneys, Jensen Brothers, Co., Draper Road Ranch, Jensen Family Fund, Hoyer Road Ranch, and Jensen & Jensen Investments. Mark is also a managing member of the Jensen Ranch Trucking, LLC, CJ Farming Co, LLC and DTOM, LLC. These businesses are principally involved in farming. Mark is a limited partner in the J. Wilmar & Judith A. Jensen Family Partnerships, LP. Mark is also a member of the Newman Rotary Club, the Stanislaus County Estate Planning Council, the McHenry Mansion Foundation, and a director/CFO for Ride for Mom, Inc.

Alicia Madsen, Appointed Director and Audit Committee Chair
Term of Office: 2023-2027
Alicia, an outside director, was first appointed to the Board in November 2015. From 2002 to 2013 she was in the commercial banking industry. Alicia now manages the financial, marketing, and Human Resources divisions of Madsen Construction and Design Inc.

SENIOR OFFICERS

FCA regulations also require the following disclosure of the business experience for the last five years for each senior officer, other business interests on whose board the senior officer serves or where the senior officer serves as another senior officer, the name of the position held and the principal business in which the business is engaged.

Tracy V. Sparks, President and Chief Executive Officer
Tracy is a CPA and has served as the President and Chief Executive Officer since July 1, 2019. Prior to being selected as Chief Executive Officer she served as the Chief Operating Officer for eleven years and as the Chief Financial Officer for twenty-four years until July 1, 2018. Tracy has a total of thirty years of Farm Credit experience. Tracy has also served as a board member for Farm Credit Foundations since January 1, 2020.

Leslie C. Crutcher, Executive Vice-President and Chief Credit Officer
Leslie (Les) has served as the Chief Credit Officer for the past fifteen years and prior to being selected as Chief Credit Officer he served as a Corporate Lending Executive and Loan Officer for the Association. Les has a total of twenty-five years of Farm Credit experience.

James C. Connelly, Executive Vice-President and General Counsel
James (Jim) has served as the General Counsel for the past eighteen years and has a total of thirty-seven years of Farm Credit experience.

Matthew R. McNelis, Executive Vice-President, Chief Financial Officer and Treasurer
Matthew (Matt) is a CPA and has served as the Chief Financial Officer and Treasurer since July 1, 2018. Matt has over twenty years of experience in finance and accounting, the last eight with Farm Credit.

Jelina M. Seibert, Executive Vice-President, Chief Administrative and Human Resources Officer
Jelina has served as the Chief Administrative and Human Resources Officer since July 1, 2019. Prior to being selected as Chief Administrative and Human Resources Officer she served as the Senior Vice President, Human Resources Manager for twelve years and has a total of nineteen years of Farm Credit

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COMPENSATION OF DIRECTORS

Directors are compensated for their services as follows:

Per Diem			
Elected Directors	$	750	
Outside Directors	$	1,200	
Monthly Stipend			
Elected Directors	$	950	
Outside Directors	$	1,140	
Board Chair	$	1,500	Elected Director
Board Chair	$	1,800	Outside Director
Audit Committee Chair	$	1,250	Elected Director
Audit Committee Chair	$	1,500	Outside Director
Human Capital Compensation Committee Chair	$	1,000	Elected Director
Human Capital Compensation Committee Chair	$	1,200	Outside Director
Team Gathering (In-Person)	$	300	Elected and Outside Directors
Team Gathering (Virtual)	$	100	Elected and Outside Directors

The total compensation paid to Directors in 2023 amounted to $320,000. Directors are also reimbursed for mileage, and documented business expenses while serving in an official capacity. No individual director received more than $5,000 in non-cash compensation during the reporting period.

Name	Years of Service	Number of Days Served at Board Meetings	Number of Days Served in Other Official Activities	Total Compensation Paid During 2023
Andrew Bloom	4	10	14	$ 33,200
Dave Brown	4	10	7	$ 23,350
Bruce Burroughs	9	10	9	$ 27,250
Brian Genzoli	17	10	11	$ 26,900
Mark Jensen	9	9	10	$ 28,050
Alicia Madsen	8	10	11	$ 41,600
Thomas Maring	4	10	11	$ 28,850
Dino Migliazzo	29	10	15	$ 36,050
Rick Scheuber	29	10	14	$ 27,450
Nancy Sill	16	10	14	$ 47,300

The Association has a travel policy that provides for reimbursement of reasonable travel, subsistence and related expenses of directors and employees when on official Association business. A copy of the Association's travel policy is available to stockholders upon request. The following amounts of total director reimbursement for travel, subsistence and related expenses was $36,815, $23,059, and $9,432, for 2023, 2022, and 2021, respectively.

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CEO AND SENIOR OFFICERS COMPENSATION

The Human Capital Compensation Committee of the Board of Directors follows a comprehensive compensation philosophy where the objectives of the Compensation Plans are to: 1) provide market based compensation through base salary and annual incentive components that will allow the Association to attract, motivate and retain superior executive talent; 2) place a portion of total compensation at risk and contingent upon the Association remaining sound financially and meeting established performance goals; and 3) ensure that long-term financial stability of the Association is emphasized over short-term results and decisions. The plans were designed to reward successful business year results through an Annual Incentive Plan and significantly contribute to the retention of the CEO and Senior Officers.

The Human Capital Compensation Committee annually reviews market information related to the level and mix of salaries, benefits, and incentive plans for the CEO and other Senior Officers. All employees are reimbursed for travel and subsistence expenses incurred when traveling on Association business. A copy of the travel policy is available to shareholders upon request. Due to the cooperative business structure of the Association, the Plans do not contain stock-based compensation components.

Summary Compensation Table

Annual

Name of Individual or Number in Group[1]	Year	Salary	Incentive Compensation [2]	Deferred/ Perquisites [3]	Other [4]	Total
President & CEO:						
T. Sparks	2023	$ 582,000	$ 174,600	$ 136,911	$ 2,232	$ 895,743
T. Sparks	2022	$ 533,040	$ 160,676	$ 127,671	$ 1,872	$ 823,259
T. Sparks	2021	$ 491,100	$ 147,330	$ 109,726	$ 0	$ 748,156
Aggregate number of senior officers and highly compensated employees (excluding CEO)						
5	2023	$ 1,736,040	$ 383,070	$ 340,790	$ 3,096	$ 2,462,996
5	2022	$ 1,605,540	$ 390,500	$ 329,494	$ 9,805	$ 2,335,339
5[5]	2021	$ 1,422,870	$ 355,718	$ 291,608	$ 42,158	$ 2,112,354

Individual compensation for any senior officer or highly compensated employees included here in the aggregate is available to shareholders upon written request.

1. The senior officers and highly compensated employees included above are those defined by FCA regulations Section 619.9310 and Section 620.6. Compensation amounts do not include earnings on nonqualified deferred compensation, as such earnings are not considered above-market or preferential.
2. Incentive compensation amounts represent amounts earned in the reported fiscal year. For Senior Officers the first incentive payment was paid in August of the reported fiscal year and the remaining balance in February of the subsequent year. Incentive compensation amounts are calculated based on relevant performance factors for the reported fiscal year.
3. Deferred perquisites represents company contributions to a 401(k) retirement savings plan and nonqualified deferred compensation plan, as well as payment for certain other expenses, such as life insurance benefits. Any noncash compensation with an annual aggregate value of $5,000 or more is included in deferred/perquisite compensation paid.

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4. Other compensation amounts include amounts earned with the HealthyReturns wellness program, tax reimbursements, and payout to Senior Officer in connection with resignation.

5. A Senior Officer resigned on 9/3/2021.

The Salary and Incentive Compensation columns of the Summary Compensation Table include all amounts earned during 2023 regardless of whether a portion of such compensation has been deferred by the CEO's or other Senior Officers'/highly compensated employee's elections pursuant to the Farm Credit Foundations Defined Contribution /401(k) Plan (401(k) Plan) and the Farm Credit Foundations Nonqualified Deferred Compensation Plan (NQDC Plan). Neither the CEO's, Senior Officers, or highly compensated employees, received long-term incentives for the reporting periods presented.

Incentive Plans – In addition to base salary, substantially all employees could earn additional compensation under the performance related compensation plans, (the plans) referred to in the table above as "Incentive Compensation". The plans were based on the fiscal year and were designed to motivate employees to exceed annual performance targets established by the Board of Directors. Performance targets were established for the following factors: return on assets, new volume, credit quality, level of expenses, and loan processing time. The plans were tied to and support the Association's business plan goals and its mission of Helping Our Members Prosper. In addition, the plans for the CEO's and all Senior Officers included provisions for the Board to evaluate performance in other important subjective areas of operations.

The Deferred/Perquisites Compensation column of the Summary Compensation Table is primarily comprised of company contributions to benefit plans, taxable group term life insurance premiums and long-term disability premiums. In 2023, the Association's employer matching contribution and non-elective contributions to the CEO's account in the 401(k) Plan was $36,948 and its contribution to the CEO's account in the NQDC Plan to restore the employer match that was limited due to restrictions in the Internal Revenue Code and compensation deferred was $62,889. For 2023, the Association's employer matching and non-elective contributions for the other Senior Officers' and highly compensated employees' accounts in the 401(k) Plan were $164,104 and contributions to their accounts in the NQDC Plan were equal to $76,775.

TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS

The Association's policies on loans to and transactions with its senior officers and Directors, required to be disclosed in this section, are incorporated herein by reference from Note 13 to the consolidated financial statements, "Related Party Transactions," included in the Annual Report to Shareholders. No loans to Directors or senior officers, their immediate families and affiliated organizations involved more than a normal risk of collectability during 2023. The Association did not conduct any other type of transactions with Senior Officers or Directors.

INVOLVEMENT OF DIRECTORS AND SENIOR OFFICERS IN CERTAIN LEGAL PROCEEDINGS

There were no matters which came to the attention of management or the Board of Directors regarding involvement of current Directors or senior officers in specified legal proceedings, which are required to be disclosed in this section.

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RELATIONSHIP WITH INDEPENDENT AUDITOR

There were no changes in independent auditor since the prior Annual Report to Shareholders and there were no material disagreements with our independent auditor on any matter of accounting principles or financial statement disclosures during this period.

ASSOCIATION POLICIES

The Association has an affirmative action policy in place which is available upon request. A copy of the policy may be requested at our administrative branch at 806 W. Monte Vista Ave., Turlock, CA or by calling (209) 667-2366 during business hours Monday – Friday, 8 a.m. – 5 p.m. PST.

BORROWER PRIVACY

Your privacy is important to us. As a member-owner of this institution, your privacy and the security of your personal information are vital to our continued ability to serve your ongoing credit needs. FCA regulations require that borrower information be held in confidence by Farm Credit institutions, their directors, officers and employees. FCA regulations and our Standards of Conduct Policies specifically restrict Farm Credit institution directors and employees from disclosing information not normally contained in published reports or press releases about the institution or its borrowers or members. These regulations also provide Farm Credit institutions clear guidelines for protecting their borrowers' nonpublic information.

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