YOSEMITE FARM CREDIT

JUNE 2024

QUARTERLY REPORT

HELPING OUR MEMBERS PROSPER!

TABLE OF CONTENTS

A MESSAGE TO OUR MEMBERS

Financial Highlights

We are pleased to inform you of the Association's financial progress during the six months ending June 30, 2024. The financial condition of the Association is sound. The Association remains capitalized to withstand adversity, sufficiently liquid to meet obligations as they come due, and able to earn profits to further enhance total shareholders' equity. This quarterly shareholder report was prepared under the oversight of the Audit Committee.

Loans increased by $107.4 million in the six months ended June 30, 2024. The increase is primarily due to new loans and advances on existing loans, offset by pay downs by members.

The note payable to CoBank, ACB (CoBank) increased $53.5 million from year-end due to growth in loans as explained above partially offset by the receipt of 2023 CoBank patronage and Association earnings.

The Association's second quarter 2024 net earnings were $25.4 million, which is approximately $0.4 million higher than the same period in the prior year.

Net interest income before the provision for credit losses increased $3.1 million during the second quarter compared to the same period last year. The increase was primarily due to increased earnings on our capital and higher levels of accruing loan volume.

The quarterly review of credit risk resulted in the Association recording a provision for credit losses of $6.2 million in the second quarter 2024, compared to $0.9 million provision for credit losses in the second quarter 2023. The provision was driven by specific reserves of $4.6 million related to two loans that the Association believes will not be fully recoverable, as well as general provision for quantitative and qualitative deterioration in the overall portfolio and economic conditions. The Association also charged off $1.4 million of loans that had previously been identified as impaired and had been specifically reserved in prior periods.

The Association's total non-interest expense increased approximately $96 thousand during the second quarter of which $611 thousand was an increase in salaries-benefits and other operating expenses, partially offset by $515 thousand decrease in Farm Credit Insurance Fund premiums.

Credit quality decreased to 94.5% Acceptable/OAEM at June 30, 2024, compared to 97.6% at June 30, 2023. Nonaccrual loan volume is $66.2 million and represents 1.5% of total loan volume. The volume of delinquent accounts of accrual loans and leases increased to 1.5% compared to 1.3% as of December 31, 2023. The overall decrease in credit quality was driven by lower commodity prices in our almond and fruit & tree nut commodities.

The Association advance conditional payment accounts, offering an interest rate up to 4.85% for the month of June, decreased $12.8 million from $120.4 million at year-end to $107.6 million at June 30, 2024.

Thank you

To our Members, we appreciate the confidence you have placed in the Yosemite Farm Credit Team. It is a privilege to serve you. To our prospective Members, we welcome the opportunity to assist with your agricultural financing needs.

Thomas Maring
Board Chair

Tracy V. Sparks
President and CEO

Matthew McNelis
Executive VP and CFO

The Stockholders' investment in the Association is materially affected by the financial condition and the results of operations of CoBank. The CoBank, FCB and CoBank District 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, P.O. Box 3278, Turlock California, 95381-3278 or by calling (209) 667-2366.

YOSEMITE FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF CONDITION
June 30, 2024
($ in thousands)

	June 30, 2024	December 31, 2023
	(unaudited)	(audited)
ASSETS		
Loans	$ 4,518,954	$ 4,411,509
Less allowance for loan losses	10,241	5,577
Net loans	4,508,713	4,405,932
Cash	2,931	24,801
Investment securities - held-to-maturity	1,794	2,227
Accrued interest receivable	79,182	90,839
Investment in CoBank, ACB	108,053	107,208
Premises and equipment, net	18,081	18,439
Other assets	17,130	28,853
Total assets	$ 4,735,884	$ 4,678,299
LIABILITIES		
Note payable to CoBank, ACB	$ 3,790,499	$ 3,736,962
Advance conditional payments	107,647	120,400
Accrued interest payable	13,378	12,917
Patronage distribution payable	—	33,500
Other liabilities	8,014	12,670
Total liabilities	3,919,538	3,916,449
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock and participation certificates	1,897	1,911
Unallocated retained earnings	814,448	759,938
Accumulated other comprehensive Income	1	1
Total shareholders' equity	816,346	761,850
Total liabilities and shareholders' equity	$ 4,735,884	$ 4,678,299

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

YOSEMITE FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
June 30, 2024
($ in thousands)

	Quarter Ended 6/30/2024	Six Months Ended 6/30/2024	Quarter Ended 6/30/2023	Six Months Ended 6/30/2023
		(unaudited)	(unaudited)	(unaudited)
INTEREST INCOME				
Loans	$ 76,235	$ 151,037	$ 64,735	$ 126,414
Investment securities	26	54	36	77
Total interest income	76,261	151,091	64,771	126,491
INTEREST EXPENSE				
Note payable to CoBank, ACB	39,934	78,410	31,596	61,007
Advance conditional payments	1,349	2,900	1,259	2,188
Total interest expense	41,283	81,310	32,855	63,195
Net interest income	34,978	69,781	31,916	63,296
Provision for credit losses	6,184	6,521	941	1,041
Net interest income after provision for credit losses	28,794	63,260	30,975	62,255
NON-INTEREST INCOME				
Patronage distribution from Farm Credit Institutions	6,080	11,979	4,840	10,664
Financially related services income	27	49	19	61
Other non-interest income	1,698	2,129	239	423
Total non-interest income	7,805	14,157	5,098	11,148
NON-INTEREST EXPENSE				
Salaries and employee benefits	7,027	14,640	6,676	13,885
Occupancy and equipment	663	1,197	497	990
Farm Credit Insurance Fund premium	910	1,806	1,425	2,909
Other non-interest expense	2,584	5,262	2,490	5,047
Total non-interest expense	11,184	22,905	11,088	22,831
Income before income taxes	25,415	54,512	24,985	50,572
Provision for income taxes	—	2	2	2
Net income	$ 25,415	$ 54,510	$ 24,983	$ 50,570
COMPREHENSIVE INCOME				
Amortization of retirement costs	—	—	—	—
Total comprehensive income	$ 25,415	$ 54,510	$ 24,983	$ 50,570

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

YOSEMITE FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
June 30, 2024
($ in thousands)

	Capital Stock & Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 31, 2022	$ 1,943	$ 689,019	$ (2)	$ 690,960
Comprehensive income		50,570		50,570
Stock and participation certificates issued	53			53
Stock and participation certificates retired	(77)			(77)
Cumulative adjustment for adoption of the Credit loss accounting standard		7,704		7,704
Balance at June 30, 2023 (unaudited)	$ 1,919	$ 747,293	$ (2)	$ 749,210
Balance at December 31, 2023	$ 1,911	$ 759,938	$ 1	$ 761,850
Comprehensive income		54,510		54,510
Stock and participation certificates issued	50			50
Stock and participation certificates retired	(64)			(64)
Balance at June 30, 2024 (unaudited)	1,897	814,448	1	816,346

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

YOSEMITE FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF CASH FLOWS
June 30, 2024
($ in thousands)

	Six Months Ended June 30,	
	2024	2023
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 54,510	$ 50,570
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	6,521	1,041
Depreciation and amortization	704	605
Loss on sale of premises and equipment	6	19
Stock patronage received from CoBank	(309)	(403)
Changes in operating assets and liabilities:		
Decrease (increase) in accrued interest receivable	11,657	(10,505)
Decrease in other assets	11,187	11,500
Increase in accrued interest payable	461	1,064
Decrease in other liabilities	(5,084)	(4,526)
Net cash provided by operating activities	79,653	49,365
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (increase) decrease in loans	(108,874)	42,026
Retirement of stock in CoBank	—	2,828
Payments received on investment securities	433	1,044
Purchase of premises and equipment, net	(352)	(394)
Net cash (used in) provided by in investing activities	(108,793)	45,504
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net repayment on note payable to CoBank	53,537	(107,725)
(Decrease) increase in advance conditional payments	(12,753)	34,269
Patronage distributions	(33,500)	(31,800)
Retirement of capital stock and participation certificates, net	(14)	(24)
Net cash provided by (used in) financing activities	7,270	(105,280)
Net decrease in cash	(21,870)	(10,411)
Cash at beginning of period	24,801	12,396
Cash at end of period	$ 2,931	$ 1,985
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 80,849	$ 62,131
Cash paid for income taxes	$ —	$ 2
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Net charge-offs	$ 1,429	$ —
Transfer of allowance to reserve for unfunded commitments	$ (428)	$ (474)

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

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

Note 1 – Organization and Significant Accounting Policies

A description of the organization and operations of Yosemite Farm Credit, ACA, the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2023, are contained in the 2023 Annual Report to Stockholders Annual Report. These unaudited second quarter 2024 financial statements should be read in conjunction with the 2023 Annual Report to Stockholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2023, as contained in the 2023 Annual Report to Stockholders.

In the opinion of management, the unaudited financial information is complete and reflects, all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2024. Descriptions of the significant accounting policies are included in the 2023 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

Recently Adopted or Issued Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information.

The amendments in this standard require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The amendments are effective for annual periods beginning after December 15, 2025.The adoption of this guidance is not expected to have a material impact on the System's financial condition, results of operations or cash flows.

In November 2023, the FASB issued ASU 2023-07 - Segment Reporting: Improvements to Reportable Segment Disclosures. The standard requires a public entity to disclose, on an annual and interim basis, the following:

- significant segment expenses that are readily provided to the chief operating decision maker ("CODM") and included in segment profit or loss,
- composition and aggregate amount of other segment items, which represent the difference between profit or loss and segment revenues less significant segment expenses,
- the title and position of the CODM, and
- an explanation of how the CODM uses the reported segment measures in assessing segment performance and deciding how to allocate resources.

Even if a public entity has a single reportable segment, it is required to provide all disclosures set forth in the standard and all existing segment disclosures. The amendments in the standard are to be applied retrospectively to all prior periods presented and are effective for fiscal years beginning after December 31, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The System is currently assessing the potential impact of this standard on its disclosures.

Note 2 – Loans and Allowance for Loan Losses

A summary of loans follows:

	June 30, 2024	December 31, 2023
Real estate mortgage	$ 3,114,968	$ 3,034,341
Production & intermediate-term	728,415	769,752
Agribusiness	601,535	548,736
Communication	29,104	16,499
Energy	40,509	38,191
Water/Waste Disposal	2,914	2,458
Rural residential real estate	1,509	1,532
Total	$ 4,518,954	$ 4,411,509

Accrued interest receivable on loans of $79.2 million and $90.8 million at June 30, 2024, and December 31, 2023, have been excluded from the amortized cost of loans and reported separately in the Condensed Combined Statement of Condition. The Association has not written off any accrued interest receivable for the six months ended June 30, 2024.

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

The following table presents information regarding participation purchased and sold at June 30, 2024:

	Participations with Other Farm Credit Institutions		Participations with Non-Farm Credit Institutions		Total Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 195,337	$ 361,234	$ —	$ —	$ 195,337	$ 361,234
Production and intermediate-term	79,006	137,369	—	—	79,006	137,369
Agribusiness	384,054	133,219	609	—	384,663	133,219
Communication	29,104	—	—	—	29,104	—
Energy	40,509	—	—	—	40,509	—
Water/Waste Disposal	2,914	—	—	—	2,914	—
Total	$ 730,924	$ 631,822	$ 609	$ —	$ 731,533	$ 631,822

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 entity uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is the probability that a borrower will experience a default during the life of the loan. 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 probability of default rate between one and nine of the acceptable categories is very narrow and would reflect almost no default to a minimal default percentage. The probability of default rate grows more rapidly as a loan moves from acceptable 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. These 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, or collateral pledged on the loan,
- doubtful — assets exhibit similar weaknesses to 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 considered uncollectible.

The following table shows loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type as of:

	June 30, 2024	December 31, 2023
Real estate mortgage		
Acceptable	90.4 %	91.9 %
OAEM	4.7	5.3
Substandard	4.9	2.8
Total	100.0 %	100.0 %
Production & intermediate-term		
Acceptable	87.4 %	89.8 %
OAEM	5.5	5.9
Substandard	7.1	4.1
Doubtful	—	0.2
Total	100.0 %	100.0 %
Agribusiness		
Acceptable	86.5 %	93.1 %
OAEM	6.5	5.4
Substandard	6.2	1.2
Doubtful	0.8	0.3
Total	100.0 %	100.0 %
Communication		
Acceptable	100.0 %	100.0 %
Total	100.0 %	100.0 %
Energy		
Acceptable	100.0 %	100.0 %
Total	100.0 %	100.0 %
Water/Waste Disposal		
Acceptable	100.0 %	100.0 %
Total	100.0 %	100.0 %
Rural residential real estate		
Acceptable	100.0 %	100.0 %
Total	100.0 %	100.0 %
All Loans		
Acceptable	89.5 %	91.8 %
OAEM	5.0	5.3
Substandard	5.5	2.8
Doubtful	—	0.1
Total	100.0 %	100.0 %

The following table reflects nonperforming assets, which consist of nonaccrual loans, accruing loans 90 days or more past due, and other property owned, and related credit quality statistics:

	June 30, 2024	December 31, 2023
Nonaccrual loans:		
Real estate mortgage	$ 24,041	$ 13,618
Production and intermediate-term	7,987	6,770
Agribusiness	34,221	1,604
Total nonaccrual loans	$ 66,249	$ 21,992
Accrual loans 90 days or more past due		
Real estate mortgage	16,718	2,602
Production and intermediate-term	1,761	1,219
Total accruing loans 90 days or more past due	18,479	3,821
Total nonperforming loans	84,728	25,813
Other property owned	—	—
Total nonperforming assets	$ 84,728	$ 25,813
Nonaccrual loans as a percentage of total loans	1.47 %	0.50 %
Nonperforming assets as a percentage of total loans and other property owned	1.87 %	0.59 %
Nonperforming assets as a percentage of capital	10.38 %	3.39 %

The following tables provide the amortized cost for nonaccrual loans with and without a related allowance for loan losses, as well as, interest income recognized on nonaccrual during the period ending June 30, 2024 and December 31, 2023.

June 30, 2024	Amortized Cost with Allowance	Amortized Cost without Allowance	Interest Income Recognized
Nonaccrual loans:			
Real estate mortgage	$ —	$ 24,041	$ 30
Production and intermediate-term	801	7,186	106
Agribusiness	11,729	22,492	—
Total nonaccrual loans	$ 12,530	$ 53,719	$ 136

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 at amortized cost by portfolio segment as of:

June 30, 2024	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 34,265	$ 30,731	$ 64,996	$ 3,049,972	$ 3,114,968	$ 16,718
Production and intermediate-term	15,680	7,396	23,076	705,339	728,415	1,761
Agribusiness	8,181	6,407	14,588	586,947	601,535	—
Communication	—	—	—	29,104	29,104	—
Energy	—	—	—	40,509	40,509	—
Water/Waste Disposal	—	—	—	2,914	2,914	—
Rural residential real estate	—	—	—	1,509	1,509	—
Total	$ 58,126	$ 44,534	$ 102,660	$ 4,416,294	$ 4,518,954	$ 18,479

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	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 32,919	$ 7,986	$ 40,905	$ 2,993,436	$ 3,034,341	$ 2,602
Production and 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

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The collateral dependent loans are primarily real estate mortgage and rural residential real estate loans.

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.

A summary of changes in the allowance for credit losses by portfolio segment is as follows:

Allowance for Loan Losses	Balance at December 31, 2023	Charge-offs and Recoveries Net	Transfers (to) from Reserve for Unfunded Commitments	Provision for loan losses (loan loss reversals)	Balance at June 30, 2024
Real estate mortgage	$ 839	$ —	$ (185)	$ 1,592	$ 2,246
Production and intermediate-term	3,125	(1,429)	(74)	493	2,115
Agribusiness	1,413	—	(135)	4,403	5,681
Communication	130	—	(31)	57	156
Energy	69	—	(3)	(24)	42
Rural residential real estate	1	—	—	—	1
Total	$ 5,577	$ (1,429)	$ (428)	$ 6,521	$ 10,241

Allowance for Unfunded Commitment	Balance at December 31, 2023	Transfers from (to) Allowance for Loan Losses	Balance at June 30, 2024	Total allowance for credit losses
Real estate mortgage	$ 85	$ 185	$ 270	$ 2,516
Production & intermediate-term	1,022	74	1,096	3,211
Agribusiness	67	135	202	5,883
Communication	138	31	169	325
Energy	23	3	26	68
Rural residential real estate	—	—	—	1
Total	$ 1,335	$ 428	$ 1,763	$ 12,004

Allowance for Loan Losses	Balance at December 31, 2022	Cumulative effect of change in acc principle	Balance at January 1, 2023	Charge-offs and Recoveries Net	Transfers (to) from Reserve for Unfunded Commitments	Provision for loan losses (loan loss reversal)	Balance at June 30, 2023
Real estate mortgage	$ 4,859	$ (4,130)	$ 729	$ —	$ 14	$ 33	$ 776
Production and intermediate-term	4,804	(2,116)	2,688	—	(409)	859	3,138
Agribusiness	2,745	(826)	1,919	—	18	(45)	1,892
Communication	19	23	42	—	(72)	134	104
Energy	43	(19)	24	—	(25)	60	59
Rural residential real estate	1	—	1	—	—	—	1
Total	$ 12,471	$ (7,068)	$ 5,403	$ —	$ (474)	$ 1,041	$ 5,970

Allowance for Unfunded Commitment	Balance at December 31, 2022	Cumulative effect of change in acc principle	Balance at January 1, 2023	Transfers from (to) Allowance for Loan Losses	Balance at June 30, 2023	Total allowance for credit losses
Real estate mortgage	$ 215	$ (120)	$ 95	$ (14)	$ 81	$ 857
Production & intermediate-term	802	(220)	582	409	991	4,129
Agribusiness	394	(313)	81	(18)	63	1,955
Communication	8	23	31	72	103	207
Energy	14	(6)	8	25	33	92
Rural residential real estate	—	—	—	—	—	1
Total	$ 1,433	$ (636)	$ 797	$ 474	$ 1,271	$ 7,241

The allowance for credit losses (ACL) represents the estimated current expected credit losses over the remaining contractual life of the loans 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) and the allowance for unfunded commitments, which is presented on the balance sheet in other liabilities. 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 are updated on a quarterly basis and 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.

Note 3 – Capital

The following sets forth the regulatory capital ratio requirements and ratios at June 30, 2024:

Ratios	Ratios as of June 30, 2024	Minimum with Buffer*	Minimum Requirement
Common Equity Tier 1 Capital	14.30%	7.0%	4.5%
Tier 1 Capital	14.30%	8.5%	6.0%
Total Capital	14.45%	10.5%	8.0%
Tier 1 Leverage**	15.16%	5.0%	4.0%
Unallocated Retained Earnings (URE) and URE Equivalents Leverage	15.12%	1.5%	1.5%
Permanent Capital	14.32%	7.0%	7.0%

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 existing regulation empowers FCA 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.

Note 4 – Fair Value Measurements

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. The fair value measurement is not an indication of liquidity. See Note 16 to the 2023 Annual Report to Stockholders for a more complete description. There are no assets or liabilities measured at fair value on a recurring basis at June 30, 2024.

Assets and liabilities measured at fair value on a non-recurring basis are summarized below ($ thousands).

June 30, 2024	Total Fair Value Level 3	Total Gains (Losses)
Assets:		
Impaired loans	$7,160.6	$(5,369.6)

December 31, 2023	Total Fair Value Level 3	Total Gains (Losses)
Assets:		
Impaired loans	$374.7	$(2,930.5)

With regard to nonrecurring measurements for impaired loans, it is not practicable to provide specific information on inputs as each collateral property is unique. The Association utilizes appraisals to value these loans and take into account unobservable inputs such as, income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

As more fully discussed in Note 16 of the 2023 Annual Report to Stockholders, the FASB 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 represent a brief summary of the valuation techniques used by the System institution for assets and liabilities measured at fair value. For a more complete description, see Notes to the 2023 Annual Report to Stockholders.

> ***Loans Evaluated for Impairment***: For certain loans evaluated for impairment under FASB 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, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value 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 5 – Subsequent Events

The Association has evaluated subsequent events through Aug 2, 2024, which is the date the financial statements were issued, and no material subsequent events were identified.