

Yosemite Farm Credit, ACA

An Agricultural Credit Association

We are pleased to inform you of the Association's financial progress during the three months ending June 30, 2010. The financial condition of the Association is sound. The Association is 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.

The Association's second quarter 2010 net earnings were \$7.7 million which is approximately \$1.5 million higher than the same period in the prior year. Net interest income, before the provision for loan losses, was approximately \$1.3 million higher than the comparable period in 2009. The increase in net interest income is the result of increases in both the average earning assets and net interest margins. The quarterly review of credit risk resulted in the Association recording a provision for loan losses of \$258 thousand in the second quarter 2010 compared to \$69 thousand in the second quarter 2009. There was no patronage distribution received from U.S. AgBank compared to \$3 thousand received during the same period in the prior year.


The Association cash management account, offering an interest rate of 0.4%, for the month of June, increased approximately 22% since year-end 2009, from \$10.4 million to \$12.7 million.

Credit quality decreased slightly from 95.3% at December 31, 2009 to 93.6% Acceptable and OAEM at June 30, 2010. Nonaccrual loan volume stands at \$9.3 million and represents .6% of total loan volume. The number of delinquent accounts, .5% of accrual loans and

leases, and the volume of delinquent payments remain low.

To our members, we appreciate the confidence you have placed in us. It is a privilege to serve you. And to our prospective customers, we welcome the opportunity to consider your agricultural financing needs.


Dino Migliazzo, Chairman


Leonard Van Elderen, CEO


Tracy Sparks, COO/CFO

The Stockholder's investment in the Association is materially affected by the financial condition and the results of operation of the U.S. AgBank. A copy of the AgBank District Second Quarter 2010 Report to Shareholders or the 2009 Annual Shareholders Report is available, free of charge, by contacting U.S. AgBank Administrative Office, 245 N. Waco, P.O. Box 2940, Wichita, KS 67201-2940; or call toll free (800)322-9880. The District's Annual report is available on its website, www.usagbank.com.

CONTENTS

- 1 Statement of Condition
- 2 Statement of Income
- 3 Statement of Changes in Shareholders' Equity
- 4 Statement of Cash Flows
- 5 Notes to the Financial Statements

YOSEMITE FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF INCOME

June 30, 2010
(\$ in thousands)

	Quarter Ended 6/30/2010 <u>(unaudited)</u>	Six Months Ended 6/30/2010 <u>(unaudited)</u>	Quarter Ended 6/30/2009 <u>(unaudited)</u>	Six Months Ended 6/30/2009 <u>(unaudited)</u>
INTEREST INCOME				
Loans	\$ 17,903	\$ 35,723	\$ 16,245	\$ 31,475
Investment securities	1,243	2,514	1,385	2,805
Total interest income	<u>19,146</u>	<u>38,237</u>	<u>17,630</u>	<u>34,280</u>
INTEREST EXPENSE				
Note payable to US AgBank, FCB	7,482	14,927	7,223	14,514
Cash management accounts	12	25	17	36
Total interest expense	<u>7,494</u>	<u>14,952</u>	<u>7,240</u>	<u>14,550</u>
Net interest income	11,652	23,285	10,390	19,730
Provision for loan losses recorded	258	796	69	180
Net interest income after provision for loan losses	11,394	22,489	10,321	19,550
NONINTEREST INCOME				
Patronage distribution from US AgBank, FCB	-	1,076	3	13
Financially related services income	35	86	70	135
Other noninterest income	91	1,891	71	232
Total noninterest income	<u>126</u>	<u>3,053</u>	<u>144</u>	<u>380</u>
NONINTEREST EXPENSE				
Salaries and employee benefits	2,775	5,639	2,592	5,318
Occupancy and equipment	248	431	196	375
Farm Credit Insurance Fund premium	(22)	384	682	1,386
Other noninterest expense	773	1,545	704	1,425
Total noninterest expense	<u>3,774</u>	<u>7,999</u>	<u>4,174</u>	<u>8,504</u>
Income before income taxes	7,746	17,543	6,291	11,426
Provision for income taxes	-	62	-	-
Net income	<u>\$ 7,746</u>	<u>\$ 17,481</u>	<u>\$ 6,291</u>	<u>\$ 11,426</u>

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

YOSEMITE FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
June 30, 2010
(\$ in thousands)

	Capital Stock & Participation Certificates	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
DECEMBER 31, 2008	\$1,690	\$184,885	(\$66)	\$186,509
Comprehensive income				
Net income		11,426		
Minimum pension liability adjustment			6	
Total comprehensive income				11,432
Capital stock/participation certificates issued	50			50
Capital stock/participation certificates retired	(35)			(35)
Patronage distributions		(12)		(12)
JUNE 30, 2009 (unaudited)	<u>\$1,705</u>	<u>\$196,299</u>	<u>(\$60)</u>	<u>\$197,944</u>
DECEMBER 31, 2009	\$ 1,675	\$ 210,784	\$ (445)	\$ 212,014
Comprehensive income				
Net income		17,481		
Minimum pension liability adjustment			43	
Total comprehensive income				17,524
Capital stock/participation certificates issued	41			41
Capital stock/participation certificates retired	(42)			(42)
JUNE 30, 2010 (unaudited)	<u>\$ 1,674</u>	<u>\$ 228,265</u>	<u>\$ (402)</u>	<u>\$ 229,537</u>

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

YOSEMITE FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF CASH FLOWS
June 30, 2010
(\$ in thousands)

Six months ended
June 30,
2010 2009
(unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$	17,481	\$	11,426
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation		289		239
Provision for loan losses		796		180
Net change in operating assets and liabilities:				
Increase in accrued interest receivable		(2,876)		(3,136)
Increase in other assets		(160)		(134)
Increase (decrease) in accrued interest payable		168		(447)
Increase (decrease) in cash management account		2,307		(565)
(Decrease) in other liabilities		(4,400)		(2,037)
Net cash provided by operating activities		<u>13,605</u>		<u>5,526</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Decrease (increase) in loans, net	4,448	(81,758)
Payments received on investment securities	4,843	4,641
Purchase of US AgBank stock, net	(1,244)	0
Purchase of premises and equipment, net	(693)	(1,052)
Net cash provided by (used in) investing activities	<u>7,354</u>	<u>(78,169)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Net (repayment of) draw on note payable to US AgBank, FCB	(20,958)	75,716
(Retirements) issuances of capital stock and participation certificates, net	(1)	15
Patronage distributions	-	(3,088)
Net cash (used in) provided by financing activities	<u>(20,959)</u>	<u>72,643</u>

Net increase in cash	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>
-----------------------------	-----------	----------	-----------	----------

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

Net Charge-offs	\$	87	\$	-
Loan transferred to other property owned	\$	259	\$	-

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010 and June 30, 2009
(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, 2009 are contained in the 2009 Annual Report to Stockholders. These unaudited second quarter 2010 financial statements should be read in conjunction with the 2009 Annual Report to Stockholders.

Effective January 1, 2010, the Bank and related Associations adopted Financial Accounting Standards Board (FASB) guidance on "Fair Value Measurements and Disclosures," which is to improve disclosures about fair value measurements by increasing transparency in financial reporting. The guidance will provide for a greater level of disaggregated information and more robust disclosures of valuation techniques and inputs to fair value measurements. The adoption of this guidance had no impact on the Association's financial condition and results of operations but resulted in additional disclosures.

The accompanying financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles and prevailing practices within the banking industry.

Note 2 - Allowance for Loan Losses (\$ in thousands)

An analysis of the allowance for loan losses follows:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Beginning balance 12/31	\$ 2,831	\$ 1,521
Charge-Offs	(87)	0
Provision for Loan Loss	<u>796</u>	<u>180</u>
Balance at end of period	<u>\$ 3,540</u>	<u>\$ 1,701</u>

The following table presents information concerning impaired loans as of June 30,

	<u>2010</u>	<u>2009</u>
Impaired loans with related allowance	\$ 0	\$ 602
Impaired loans with no related allowance	<u>9,348</u>	<u>12,736</u>
Total impaired loans	<u>\$ 9,348</u>	<u>\$ 13,338</u>
Allowance on impaired loans	<u>\$ 0</u>	<u>\$ 2</u>

The following table summarizes impaired loan information for the six months ended June 30,

	<u>2010</u>	<u>2009</u>
Average impaired loans	\$ 10,330	\$ 11,117
Interest income recognized on impaired loans	\$ 56	\$ 122

Note 3 - Capital

At June 30, 2010, the Association's regulatory capital ratio was 11.87%, which exceeds the minimum 7.0% required by our regulators, the Farm Credit Administration.

Note 4 – Fair Value Measurements

Authoritative guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Notes to the 2009 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, 2010. Assets and liabilities measured at fair value on a non-recurring basis are summarized below (\$ in thousands):

	Total Fair Value Level 3	Total Losses
June 30, 2010		
Assets:		
Loans	\$ 0	\$ 0
Other Property Owned	\$ 259	\$ 27
December 31, 2009		
Assets:		
Loans	\$ 0	\$ 31
Other Property Owned	\$ 0	\$ 0

Valuation Techniques

Authoritative 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 represents a brief summary of the evaluation techniques used for the related Association’s assets and liabilities.

Loans

For certain loans evaluated for impairment under authoritative guidance, the fair value is based upon the underlying collateral for collateral-dependent loans and these loans are generally classified as Level 3.

Other Property Owned

Other property owned is generally classified as Level 3. The fair value is based upon the collateral value, which is generally determined using appraisals or other indications based on comparable sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset’s fair value.

Note 5 - Subsequent Events

The Association has evaluated subsequent events through August 2, which is the date the financial statements were available to be issued.