



Helping our Members Prosper

QUARTERLY REPORT
MARCH 2021

TABLE OF CONTENTS

A Message to Our Members	1
Consolidated Statements of Condition	3
Consolidated Statements of Comprehensive Income	4
Consolidated Statements of Changes in Shareholders' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7

A MESSAGE TO OUR MEMBERS

Financial Highlights

We are pleased to inform you of the Association's financial progress during the three months ending March 31, 2021. 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.

The Association, in the form of qualified cash patronage, returned \$25.4 million of its 2020 patronage sourced earnings to patrons in March 2021. This distribution effectively reduced each patron's interest rate in 2020 by approximately three-quarter percent.

The Association's first quarter 2021 net earnings were \$11.4 million, which is approximately \$5.2 million lower than the same period in the prior year.

Net interest income before the provision for credit losses increased \$0.2 million during the first quarter compared to the same period last year. The increase was primarily due to higher levels of accruing loan volume.

Non-interest income decreased approximately \$3.0 million during the first quarter compared to the same period last year. The decrease was primarily due to fees assessed for the prepayment of our note payable to CoBank, ACB in the amount of \$5.7 million in the first quarter 2021.

The quarterly review of credit risk resulted in the Association recording a provision for credit losses of \$0.5 million in the first quarter 2021 compared to a \$0.7 million credit loss reversal in the first quarter 2020.

Non-interest expense increased approximately \$1.1 million during the first quarter of which \$0.6 million was an increase in the Farm Credit Insurance Fund premium and \$0.4 million was an increase in salaries

and benefits due to both an increase in the number of employees and the annual increase in salary and benefits costs.

Credit quality increased to 98.1% Acceptable/OAEM at March 31, 2021 compared to 96.6% at March 31, 2020. Nonaccrual loan volume is \$16.7 million and represents 0.5% of total loan volume. The volume of delinquent accounts, 0.8% of accrual loans and leases, remain low.

The Association advance conditional payment accounts, offering an interest rate of 0.40% for the month of March, increased \$13.1 million from \$77.0 million at year-end to \$90.1 million at March 31, 2021.

Association COVID-19 Pandemic Response

The Association continues to take precautions to ensure the health and safety of our Members and our Team Members. Several Team Members continue to work remotely from home; however, Yosemite Farm Credit (YFC) offices are open for appointments. You may continue utilizing alternative options for communications and transactions available to you:


- Email or phone
- Utilize Electronic Funds Transfer (ACH)
- Online Banking – www.yosemitefarmcredit.com/online-banking
- Mail payments to YFC

We understand the impact of the global COVID-19 pandemic is far reaching and YFC is committed to working with Members during this time.

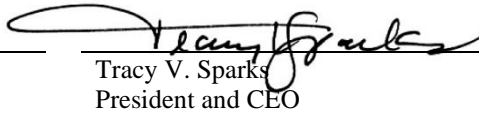
The Association does not yet know the full extent of the effects of COVID-19 on its business, operations or the global economy as a whole, but they could materially and adversely affect the Association's business, results of operations and financial condition.

To our Members, we appreciate the confidence you have placed in us. It is a privilege to serve you. To our prospective Members, we welcome the

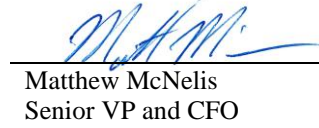
opportunity to consider your agricultural financing needs.



Mark R. Jensen
Board Chair



Tracy V. Sparks
President and CEO



Matthew McNelis
Senior 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
March 31, 2021
(\$ in thousands)

	<u>March 31,</u> 2021	<u>December 31,</u> 2020
	(unaudited)	(audited)
ASSETS		
Loans	\$ 3,407,676	\$ 3,418,759
Less allowance for loan losses	10,112	9,606
Net loans	<u>3,397,564</u>	<u>3,409,153</u>
Cash	-	18,768
Investment securities - held-to-maturity	6,764	7,429
Accrued interest receivable	21,057	34,102
Investment in CoBank, ACB	110,569	110,086
Premises and equipment, net	20,035	20,231
Other assets	7,447	15,594
Total assets	<u><u>\$ 3,563,436</u></u>	<u><u>\$ 3,615,363</u></u>
LIABILITIES		
Note payable to CoBank, ACB	\$ 2,856,608	\$ 2,913,169
Advance conditional payments	90,102	77,024
Accrued interest payable	2,566	2,716
Patronage distribution payable	-	25,400
Other liabilities	12,255	6,565
Total liabilities	<u>2,961,531</u>	<u>3,024,874</u>
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock and participation certificates	1,933	1,927
Unallocated retained earnings	599,976	588,567
Accumulated other comprehensive loss	(4)	(5)
Total shareholders' equity	<u>601,905</u>	<u>590,489</u>
Total liabilities and shareholders' equity	<u><u>\$ 3,563,436</u></u>	<u><u>\$ 3,615,363</u></u>

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

YOSEMITE FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
March 31, 2021
(\$ in thousands)

	Quarter Ended 3/31/2021 <u>(unaudited)</u>	Quarter Ended 3/31/2020 <u>(unaudited)</u>
INTEREST INCOME		
Loans	\$ 30,351	\$ 36,894
Investment securities	63	103
Total interest income	<u>30,414</u>	<u>36,997</u>
INTEREST EXPENSE		
Note payable to CoBank, ACB	7,402	13,968
Advance conditional payments	86	265
Total interest expense	<u>7,488</u>	<u>14,233</u>
Net interest income	22,926	22,764
Provision for credit losses/(credit loss reversals)	<u>492</u>	<u>(746)</u>
Net interest income after provision for credit losses/ (credit loss reversals)	22,434	23,510
NON-INTEREST INCOME		
Patronage distribution from Farm Credit Institutions	3,969	3,217
Financially related services income	19	17
Note payable prepayment fees	(5,696)	(2,379)
Other non-interest income	577	1,058
Total non-interest income	<u>(1,131)</u>	<u>1,913</u>
NON-INTEREST EXPENSE		
Salaries and employee benefits	6,439	5,998
Occupancy and equipment	445	429
Farm Credit Insurance Fund premium	1,077	509
Other non-interest expense	1,931	1,863
Total non-interest expense	<u>9,892</u>	<u>8,799</u>
Income before income taxes	11,411	16,624
Provision for income taxes	2	2
Net income	<u>\$ 11,409</u>	<u>\$ 16,622</u>
COMPREHENSIVE INCOME		
Amortization of retirement credits	1	-
Total comprehensive income	<u>\$ 11,410</u>	<u>\$ 16,622</u>

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

YOSEMITE FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
March 31, 2021
(\$ in thousands)

	Capital Stock & Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 31, 2019	\$ 1,882	\$ 554,700	\$ (5)	\$ 556,577
Comprehensive income		16,622		16,622
Stock and participation certificates issued	37			37
Stock and participation certificates retired	(40)			(40)
Balance at March 31, 2020 (unaudited)	<u>\$ 1,879</u>	<u>\$ 571,322</u>	<u>\$ (5)</u>	<u>\$ 573,196</u>
Balance at December 31, 2020	\$ 1,927	\$ 588,567	\$ (5)	\$ 590,489
Comprehensive income		11,409	1	11,410
Stock and participation certificates issued	44			44
Stock and participation certificates retired	(38)			(38)
Balance at March 31, 2021 (unaudited)	<u>\$ 1,933</u>	<u>\$ 599,976</u>	<u>\$ (4)</u>	<u>\$ 601,905</u>

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

YOSEMITE FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF CASH FLOWS

March 31, 2021

(\$ in thousands)

	Three months ended	
	March 31,	
	2021	2020
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 11,409	\$ 16,622
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses/(credit loss reversals)	492	(746)
Depreciation and amortization	297	304
Gain on sale of premises and equipment	(17)	(19)
Stock patronage received from CoBank	(148)	(112)
Changes in operating assets and liabilities:		
Decrease in accrued interest receivable	13,045	17,521
Decrease in other assets	7,812	8,998
Decrease in accrued interest payable	(150)	(1,230)
Increase in other liabilities	6,379	1,575
Net cash provided by operating activities	39,119	42,913
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease in loans	11,083	79,889
Payments received on investment securities	665	1,177
Purchase of premises and equipment, net	(84)	(174)
Net cash provided by investing activities	11,664	80,892
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net repayment on note payable to CoBank	(56,561)	(125,257)
Note payable prepayment fees	(674)	-
Increase in advance conditional payments	13,078	15,936
Patronage distributions	(25,400)	(24,235)
Issuances (retirement) of capital stock and participation certificates, net	6	(3)
Net cash used in financing activities	(69,551)	(133,559)
Net decrease in cash	(18,768)	(9,754)
Cash at beginning of period	18,768	9,754
Cash at end of period	\$ -	\$ -
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 7,638	\$ 15,463
Cash paid for income taxes	\$ 2	\$ 2
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Net charge-offs	\$ -	\$ -
Transfer of allowance from reserve for unfunded commitments	\$ 14	\$ 83

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, 2020 are contained in the 2020 Annual Report to Stockholders. These unaudited first quarter 2021 financial statements should be read in conjunction with the 2020 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, 2020 as contained in the 2020 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, 2021. Descriptions of the significant accounting policies are included in the 2020 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 March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled “Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a

reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. With respect to hedge accounting, the guidance allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. The optional expedients are available from March 12, 2020, through December 31, 2022. The Association did not execute any contract modifications related to the LIBOR transition during 2020 or 2021 and therefore did not elect any optional expedients.

In January 2021, the FASB issued an update whereby certain derivative instruments may be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments do not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The adoption of this guidance will not impact the Association’s financial condition or its results of operations as the Association does not hold derivative instruments.

In June 2016, the FASB issued guidance entitled “Measurement of Credit Losses on Financial Instruments.” The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain institutions. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those institutions qualifying

for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on the Association's financial condition and its results of

operations.

Certain amounts in the prior period's financial statements have been reclassified to conform to the current period's financial statement presentation.

Note 2 – Loans and Allowance for Loan Losses

A summary of loans follows:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Real estate mortgage	\$ 2,523,902	\$ 2,506,415
Production and intermediate-term	502,216	580,441
Agribusiness	367,875	322,950
Communication	2,483	2,482
Energy	9,472	4,543
Rural residential real estate	1,728	1,928
Total	<u>\$ 3,407,676</u>	<u>\$ 3,418,759</u>

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 March 31, 2021:

	<u>Participations with Other Farm Credit Institutions</u>		<u>Participations with Non- Farm Credit Institutions</u>		<u>Total Participations</u>	
	<u>Purchased</u>	<u>Sold</u>	<u>Purchased</u>	<u>Sold</u>	<u>Purchased</u>	<u>Sold</u>
Real estate mortgage	\$ 99,713	\$ 227,639	\$ -	\$ -	\$ 99,713	\$ 227,639
Production and intermediate term	62,638	63,204	-	-	62,638	63,204
Agribusiness	135,786	116,136	3,305	-	139,091	116,136
Communication	2,525	-	-	-	2,525	-
Energy	9,549	-	-	-	9,549	-
Total	<u>\$ 310,211</u>	<u>\$ 406,979</u>	<u>\$ 3,305</u>	<u>\$ -</u>	<u>\$ 313,516</u>	<u>\$ 406,979</u>

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Nonaccrual loans:		
Real estate mortgage	\$ 7,873	\$ 8,730
Production and intermediate-term	6,542	9,435
Agribusiness	2,236	2,486
Total nonaccrual loans	<u>\$ 16,651</u>	<u>\$ 20,651</u>
Accrual loans 90 days or more past due	-	-
Other property owned	-	-
Total nonperforming assets	<u>\$ 16,651</u>	<u>\$ 20,651</u>

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 following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Real estate mortgage		
Acceptable	95.6%	95.6%
OAEM	2.8	2.8
Substandard	1.6	1.6
Total	<u>100.0%</u>	<u>100.0%</u>
Production and intermediate-term		
Acceptable	87.3%	89.4%
OAEM	8.3	5.9
Substandard	4.4	4.7
Total	<u>100.0%</u>	<u>100.0%</u>
Agribusiness		
Acceptable	89.0%	90.8%
OAEM	10.4	8.4
Doubtful	0.6	0.8
Total	<u>100.0%</u>	<u>100.0%</u>
Communication		
Acceptable	100.0%	100.0%
Total	<u>100.0%</u>	<u>100.0%</u>
Energy		
Acceptable	100.0%	100.0%
Total	<u>100.0%</u>	<u>100.0%</u>
Rural residential real estate		
Acceptable	100.0%	100.0%
Total	<u>100.0%</u>	<u>100.0%</u>
All Loans		
Acceptable	93.7%	94.1%
OAEM	4.4	3.8
Substandard	1.8	2.0
Doubtful	0.1	0.1
Total	<u>100.0%</u>	<u>100.0%</u>

Although the overall credit quality of our loan portfolio remained strong during the first three months of 2021, economic conditions deteriorated rapidly during the latter part of March 2020. The introduction and spread of COVID-19 around the world has caused significant volatility and unfavorable conditions in the U.S. and international markets as well as business disruptions impacting the U.S. and international economies. If less favorable economic conditions continue, it will likely lead to weakening in the loan portfolio. At this time, we believe the credit quality impacts within our loan portfolio resulting from the COVID-19 business disruptions will vary by commodity. Management performs stress testing and other forward looking assessments of credit quality and the related impact on earnings and capital under a variety of

macroeconomic environments. Under these stress scenarios, the Association continues to remain profitable, albeit at lower levels, and maintains capital above regulatory minimums.

The following tables provide an age analysis of past due loans, including accrued interest.

	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
<u>March 31, 2021</u>						
Real estate mortgage	\$ 26,412	\$ 86	\$ 26,498	\$ 2,514,417	\$ 2,540,915	\$ -
Production and intermediate-term	430	3,372	3,802	501,046	504,848	-
Agribusiness	177	2,236	2,413	366,775	369,188	-
Communication	-	-	-	2,508	2,508	-
Energy	-	-	-	9,508	9,508	-
Rural residential real estate	-	-	-	1,737	1,737	-
Total	<u>\$ 27,019</u>	<u>\$ 5,694</u>	<u>\$ 32,713</u>	<u>\$ 3,395,991</u>	<u>\$ 3,428,704</u>	<u>\$ -</u>
	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
<u>December 31, 2020</u>						
Real estate mortgage	\$ 8,405	\$ 272	\$ 8,677	\$ 2,525,847	\$ 2,534,524	\$ -
Production and intermediate-term	1,499	6,286	7,785	576,990	584,775	-
Agribusiness	-	2,486	2,486	322,049	324,535	-
Communication	-	-	-	2,488	2,488	-
Energy	-	-	-	4,551	4,551	-
Rural residential real estate	-	-	-	1,933	1,933	-
Total	<u>\$ 9,904</u>	<u>\$ 9,044</u>	<u>\$ 18,948</u>	<u>\$ 3,433,858</u>	<u>\$ 3,452,806</u>	<u>\$ -</u>

Note: The recorded investment in the loan receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the loan receivable.

Additional impaired loan information is as follows:

	<u>At March 31, 2021</u>			<u>At December 31, 2020</u>		
	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>
Impaired loans with a related allowance for credit losses:						
Agribusiness	<u>\$ 2,236</u>	<u>\$ 2,236</u>	<u>\$ 2,235</u>	<u>\$ 2,486</u>	<u>\$ 2,486</u>	<u>\$ 2,485</u>
Total	<u>\$ 2,236</u>	<u>\$ 2,236</u>	<u>\$ 2,235</u>	<u>\$ 2,486</u>	<u>\$ 2,486</u>	<u>\$ 2,485</u>
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	\$ 7,873	\$ 7,873	\$ -	\$ 8,730	\$ 8,730	\$ -
Production and intermediate-term	<u>6,542</u>	<u>6,542</u>	<u>-</u>	<u>9,435</u>	<u>9,435</u>	<u>-</u>
Total	<u>\$ 14,415</u>	<u>\$ 14,415</u>	<u>\$ -</u>	<u>\$ 18,165</u>	<u>\$ 18,165</u>	<u>\$ -</u>
Total impaired loans:						
Real estate mortgage	\$ 7,873	\$ 7,873	\$ -	\$ 8,730	\$ 8,730	\$ -
Production and intermediate-term	6,542	6,542	-	9,435	9,435	-
Agribusiness	<u>2,236</u>	<u>2,236</u>	<u>2,235</u>	<u>2,486</u>	<u>2,486</u>	<u>2,485</u>
Total	<u>\$ 16,651</u>	<u>\$ 16,651</u>	<u>\$ 2,235</u>	<u>\$ 20,651</u>	<u>\$ 20,651</u>	<u>\$ 2,485</u>

	<u>For the Three Months Ended</u>			
	<u>March 31, 2021</u>		<u>March 31, 2020</u>	
	<u>Average Impaired Loans</u>	<u>Interest Income Recognized</u>	<u>Average Impaired Loans</u>	<u>Interest Income Recognized</u>
Impaired loans with a related allowance for credit losses:				
Production and intermediate-term	\$ -	\$ -	\$ 19	\$ -
Agribusiness	<u>2,389</u>	<u>-</u>	<u>2,915</u>	<u>-</u>
Total	<u>\$ 2,389</u>	<u>\$ -</u>	<u>\$ 2,934</u>	<u>\$ -</u>
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	\$ 8,320	\$ 104	\$ 11,132	\$ 258
Production and intermediate-term	<u>8,338</u>	<u>362</u>	<u>10,669</u>	<u>93</u>
Total	<u>\$ 16,658</u>	<u>\$ 466</u>	<u>\$ 21,801</u>	<u>\$ 351</u>
Total impaired loans:				
Real estate mortgage	\$ 8,320	\$ 104	\$ 11,132	\$ 258
Production and intermediate-term	8,338	362	10,688	93
Agribusiness	<u>2,389</u>	<u>-</u>	<u>2,915</u>	<u>-</u>
Total	<u>\$ 19,047</u>	<u>\$ 466</u>	<u>\$ 24,735</u>	<u>\$ 351</u>

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

	Balance at December 31, 2020	Charge-offs	Recoveries	Transfers (to) from Reserve for Unfunded Commitments	Provision for Credit Losses/(Credit Loss Reversals)	Balance at March 31, 2021
Real estate mortgage	\$ 3,706	\$ -	\$ -	\$ (15)	\$ 662	\$ 4,353
Production and intermediate-term	2,552	-	-	(80)	146	2,618
Agribusiness	3,335	-	-	109	(333)	3,111
Communication	-	-	-	-	12	12
Energy	11	-	-	-	6	17
Rural residential real estate	2	-	-	-	(1)	1
Total	\$ 9,606	\$ -	\$ -	\$ 14	\$ 492	\$ 10,112

	Balance at December 31, 2019	Charge-offs	Recoveries	Transfers (to) from Reserve for Unfunded Commitments	Provision for Credit Losses/(Credit Loss Reversals)	Balance at March 31, 2020
Real estate mortgage	\$ 4,081	\$ -	\$ -	\$ (6)	\$ (92)	\$ 3,983
Production and intermediate-term	3,773	-	-	(47)	(682)	3,044
Agribusiness	2,101	-	-	136	28	2,265
Rural residential real estate	2	-	-	-	-	2
Total	\$ 9,957	\$ -	\$ -	\$ 83	\$ (746)	\$ 9,294

The Association is an approved lender for the Paycheck Protection Program (PPP) which is a guaranteed loan program instituted through the CARES Act in March 2020 and administered by the Small Business Administration (SBA). There were PPP loans with principal balances outstanding of \$29.7 million and \$29.4 million at March 31, 2021 and December 31, 2020, respectively. The Association received and recognized \$0.4 million in loan processing fees from the SBA during the three months ending March 31, 2021, which are included in other non-interest income on the Consolidated Statements of Comprehensive Income. There were no loan processing fees from the SBA recognized during the three months ending March 31, 2020.

In accordance with the informational memorandum for reporting troubled debt restructurings (TDRs) issued by FCA on April 1, 2020, the Association granted COVID-19 relief payment deferral modifications to qualifying borrowers during the period beginning March 1, 2020 and ending on December 31, 2020. The volume of loans remaining in deferral status at March 31, 2021 and December 31, 2020 was \$94.5 million and \$138.9 million, respectively.

Note 3 – Capital

The following sets forth the regulatory capital ratio requirements and ratios at March 31, 2021:

<u>Ratios</u>	<u>Ratios as of March 31, 2021</u>	<u>Minimum with Buffer*</u>	<u>Minimum Requirement</u>
Common Equity Tier 1 Capital	13.62%	7.0%	4.5%
Tier 1 Capital	13.62%	8.5%	6.0%
Total Capital	13.93%	10.5%	8.0%
Tier 1 Leverage**	14.20%	5.0%	4.0%
Unallocated Retained Earnings (URE) and URE Equivalents Leverage	16.85%	1.5%	1.5%
Permanent Capital	13.66%	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 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 15 to the 2020 Annual Report to Stockholders for a more complete description. There are no assets or liabilities measured at fair value on a recurring basis at March 31, 2021.

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

<u>March 31, 2021</u>	<u>Total Fair Value Level 3</u>	<u>Total Gains (Losses)</u>
Assets:		
Impaired loans	\$ 1	\$ (2,235)
<u>December 31, 2020</u>	<u>Total Fair Value Level 3</u>	<u>Total Gains (Losses)</u>
Assets:		
Impaired loans	\$ 1	\$ (2,485)

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 15 of the 2020 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 for the Bank and its related Associations' assets and liabilities. For a more complete description, see Notes to the 2020 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. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

Note 5 – Subsequent Events

The Association has evaluated subsequent events through May 10, 2021, which is the date the financial statements were issued, and no material subsequent events were identified.