YOSEMITE FARM CREDIT

Helping our Members Prosper

QUARTERLY REPORT

SEPTEMBER 2021

TABLE OF CONTENTS

A MESSAGE TO OUR MEMBERS

Financial Highlights

We are pleased to inform you of the Association's financial progress during the nine months ending September 30, 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.

Net loans increased by $192.2 million in the nine months ended September 30. The increase is primarily due to new loans and advances on existing loans to members in the almond and dairy industries offset by pay downs by members.

The note payable to CoBank, ACB (CoBank) increased $170.5 million from year-end due to the new loans and advances discussed above, partially offset by the receipt of 2020 CoBank patronage and Association earnings.

The Association's third quarter 2021 net earnings were $18.7 million, which is approximately $4.9 million higher than the same period in the prior year.

Net interest income before the provision for credit losses/credit loss reversals increased $2.8 million during the third quarter compared to the same period last year. The increase was primarily due to higher levels of accruing loan volume.

Non-interest income increased approximately $2.6 million during the third quarter compared to the same period last year. The increase was primarily due to higher patronage income and a $1.3 million decrease in fees assessed for the prepayment of our note payable to CoBank in the third quarter 2021 compared to the same period last year.

The quarterly review of credit risk resulted in the Association recording a provision for credit losses of $0.1 million in the third quarter 2021 compared to a $0.4 million provision for credit losses in the third quarter 2020.

Non-interest expense increased approximately $0.7 million during the third quarter 2021 compared to the same period last year. The increase was primarily due to a $0.4 million increase in the Farm Credit Insurance Fund premium.

Credit quality increased to 98.6% Acceptable/OAEM at September 30, 2021 compared to 97.5% at September 30, 2020. Nonaccrual loan volume is $5.8 million and represents 0.2% of total loan volume. The volume of delinquent accounts, 0.29% of accrual loans and leases, remain low.

The Association advance conditional payment accounts, offering an interest rate of 0.25% for the month of September, decreased $13.1 million from $77.0 million at year-end to $63.9 million at September 30, 2021.

Association COVID-19 Pandemic Response

The Association continues to take precautions to ensure the health and safety of our Members and our Team. Several Team Members continue to work remotely from home; however, Yosemite Farm Credit offices are open.

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
September 30, 2021
($ in thousands)

	September 30, 2021 (unaudited)	December 31, 2020 (audited)
ASSETS		
Loans	$ 3,612,044	$ 3,418,759
Less allowance for loan losses	10,729	9,606
Net loans	3,601,315	3,409,153
Cash	711	18,768
Investment securities - held-to-maturity	5,932	7,429
Accrued interest receivable	44,356	34,102
Investment in CoBank, ACB	110,569	110,086
Premises and equipment, net	19,543	20,231
Other assets	17,131	18,608
Total assets	$ 3,799,557	$ 3,618,377
LIABILITIES		
Note payable to CoBank, ACB	$ 3,083,675	$ 2,913,169
Advance conditional payments	63,938	77,024
Accrued interest payable	2,688	2,716
Patronage distribution payable	-	25,400
Other liabilities	9,026	9,579
Total liabilities	3,159,327	3,027,888
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock and participation certificates	1,963	1,927
Unallocated retained earnings	638,271	588,567
Accumulated other comprehensive loss	(4)	(5)
Total shareholders' equity	640,230	590,489
Total liabilities and shareholders' equity	$ 3,799,557	$ 3,618,377

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

YOSEMITE FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
September 30, 2021
($ in thousands)

	Quarter Ended 9/30/2021 (unaudited)	Nine Months Ended 9/30/2021 (unaudited)	Quarter Ended 9/30/2020 (unaudited)	Nine Months Ended 9/30/2020 (unaudited)
INTEREST INCOME				
Loans	$ 31,816	$ 93,823	$ 29,292	$ 96,660
Investment securities	55	177	77	270
Total interest income	31,871	94,000	29,369	96,930
INTEREST EXPENSE				
Note payable to CoBank, ACB	7,901	22,803	8,126	30,946
Advance conditional payments	46	194	96	477
Total interest expense	7,947	22,997	8,222	31,423
Net interest income	23,924	71,003	21,147	65,507
Provision for credit losses/(credit loss reversals)	133	1,077	365	(364)
Net interest income after provision for credit losses/ (credit loss reversals)	23,791	69,926	20,782	65,871
NON-INTEREST INCOME				
Patronage distribution from Farm Credit Institutions	4,082	12,573	2,924	9,138
Financially related services income	50	110	46	95
Note payable prepayment fees	-	(5,702)	(1,345)	(11,367)
Other non-interest income	199	1,143	109	1,524
Total non-interest income	4,331	8,124	1,734	(610)
NON-INTEREST EXPENSE				
Salaries and employee benefits	5,946	18,187	5,826	17,825
Occupancy and equipment	447	1,336	497	1,329
Farm Credit Insurance Fund premium	1,140	3,316	703	1,710
Other non-interest expense	1,867	5,505	1,643	5,256
Total non-interest expense	9,400	28,344	8,669	26,120
Income before income taxes	18,722	49,706	13,847	39,141
Provision for income taxes	-	2	-	2
Net income	$ 18,722	$ 49,704	$ 13,847	$ 39,139
COMPREHENSIVE INCOME				
Amortization of retirement credits	-	1	1	1
Total comprehensive income	$ 18,722	$ 49,705	$ 13,848	$ 39,140

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

YOSEMITE FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
September 30, 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		39,139	1	39,140
Stock and participation certificates issued	131			131
Stock and participation certificates retired	(112)			(112)
Balance at September 30, 2020 (unaudited)	$ 1,901	$ 593,839	$ (4)	$ 595,736
Balance at December 31, 2020	$ 1,927	$ 588,567	$ (5)	$ 590,489
Comprehensive income		49,704	1	49,705
Stock and participation certificates issued	136			136
Stock and participation certificates retired	(100)			(100)
Balance at September 30, 2021 (unaudited)	$ 1,963	$ 638,271	$ (4)	$ 640,230

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

YOSEMITE FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF CASH FLOWS
September 30, 2021
($ in thousands)

	Nine months ended September 30, 2021	2020
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 49,704	$ 39,139
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses/(credit loss reversals)	1,077	(364)
Depreciation and amortization	877	915
Gain on sale of premises and equipment	(25)	(49)
Stock patronage received from CoBank	(593)	(347)
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(10,254)	(3,726)
Decrease in other assets	1,587	3,607
Decrease in accrued interest payable	(28)	(2,637)
(Decrease) increase in other liabilities	(506)	1,312
Net cash provided by operating activities	41,839	37,850
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in loans	(193,285)	(84,173)
Payments received on investment securities	1,497	1,978
Purchase of premises and equipment, net	(164)	(291)
Net cash used in investing activities	(191,952)	(82,486)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net draws on note payable to CoBank	176,882	57,603
Note payable prepayment fees	(6,376)	(10,080)
(Decrease) increase in advance conditional payments	(13,086)	12,084
Patronage distributions	(25,400)	(24,235)
Issuances of capital stock and participation certificates, net	36	19
Net cash provided by financing activities	132,056	35,391
Net decrease in cash	(18,057)	(9,245)
Cash at beginning of period	18,768	9,754
Cash at end of period	$ 711	$ 509
SUPPLEMENTAL CASH FLOW INFORMATON:		
Cash paid for interest	$ 23,025	$ 34,060
Cash paid for income taxes	$ 2	$ 2
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Transfer of allowance from reserve for unfunded commitments	$ 46	$ 103

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 third 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.

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 amendments 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:

	September 30, 2021	December 31, 2020
Real estate mortgage	$ 2,675,609	$ 2,506,415
Production and intermediate-term	548,362	580,441
Agribusiness	363,981	322,950
Communication	4,275	2,482
Energy	18,117	4,543
Rural residential real estate	1,700	1,928
Total	$ 3,612,044	$ 3,418,759

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding participations purchased and sold at September 30, 2021:

	Participations with Other Farm Credit Institutions		Participations with Non-Farm Credit Institutions		Total Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 124,330	$ 238,693	$ -	$ -	$ 124,330	$ 238,693
Production and intermediate-term	65,469	61,745	-	-	65,469	61,745
Agribusiness	127,731	126,887	-	-	127,731	126,887
Communication	4,314	-	-	-	4,314	-
Energy	18,204	-	-	-	18,204	-
Total	$ 340,048	$ 427,325	$ -	$ -	$ 340,048	$ 427,325

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

	September 30, 2021	December 31, 2020
Nonaccrual loans:		
Real estate mortgage	$ 2,531	$ 8,730
Production and intermediate-term	1,063	9,435
Agribusiness	2,236	2,486
Total nonaccrual loans	$ 5,830	$ 20,651
Accrual loans 90 days or more past due	-	-
Other property owned	-	-
Total nonperforming assets	$ 5,830	$ 20,651

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:

	September 30, 2021	December 31, 2020
Real estate mortgage		
Acceptable	96.3%	95.6%
OAEM	2.5	2.8
Substandard	1.2	1.6
Total	100.0%	100.0%
Production and intermediate-term		
Acceptable	89.1%	89.4%
OAEM	7.9	5.9
Substandard	3.0	4.7
Total	100.0%	100.0%
Agribusiness		
Acceptable	90.1%	90.8%
OAEM	9.3	8.4
Doubtful	0.6	0.8
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%
Rural residential real estate		
Acceptable	100.0%	100.0%
Total	100.0%	100.0%
All Loans		
Acceptable	94.6%	94.1%
OAEM	4.0	3.8
Substandard	1.3	2.0
Doubtful	0.1	0.1
Total	100.0%	100.0%

Although the overall credit quality of our loan portfolio remained strong during the first nine 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.

September 30, 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	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 9,985	$ 73	$ 10,058	$ 2,703,607	$ 2,713,665	$ -
Production and intermediate-term	670	242	912	551,523	552,435	-
Agribusiness	385	2,236	2,621	363,453	366,074	-
Communication	-	-	-	4,304	4,304	-
Energy	-	-	-	18,163	18,163	-
Rural residential real estate	-	-	-	1,716	1,716	-
Total	$ 11,040	$ 2,551	$ 13,591	$ 3,642,766	$ 3,656,357	$ -

December 31, 2020	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
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	$ 9,904	$ 9,044	$ 18,948	$ 3,433,858	$ 3,452,806	$ -

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:

	At September 30, 2021			At December 31, 2020		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with a related allowance for credit losses:						
Agribusiness	$ 2,236	$ 2,236	$ 2,235	$ 2,486	$ 2,486	$ 2,485
Total	$ 2,236	$ 2,236	$ 2,235	$ 2,486	$ 2,486	$ 2,485
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	$ 2,531	$ 2,531	$ -	$ 8,730	$ 8,730	$ -
Production and intermediate-term	1,063	1,063	-	9,435	9,435	-
Total	$ 3,594	$ 3,594	$ -	$ 18,165	$ 18,165	$ -
Total impaired loans:						
Real estate mortgage	$ 2,531	$ 2,531	$ -	$ 8,730	$ 8,730	$ -
Production and intermediate-term	1,063	1,063	-	9,435	9,435	-
Agribusiness	2,236	2,236	2,235	2,486	2,486	2,485
Total	$ 5,830	$ 5,830	$ 2,235	$ 20,651	$ 20,651	$ 2,485

	For the Three Months Ended			
	September 30, 2021		September 30, 2020	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Agribusiness	$ 2,236	$ -	$ 2,915	$ -
Total	$ 2,236	$ -	$ 2,915	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	$ 2,501	$ 95	$ 9,096	$ 7
Production and intermediate-term	3,051	135	10,068	35
Total	$ 5,552	$ 230	$ 19,164	$ 42
Total impaired loans:				
Real estate mortgage	$ 2,501	$ 95	$ 9,096	$ 7
Production and intermediate-term	3,051	135	10,068	35
Agribusiness	2,236	-	2,915	-
Total	$ 7,788	$ 230	$ 22,079	$ 42

	For the Nine Months Ended			
	September 30, 2021		September 30, 2020	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Production and intermediate-term	$ -	$ -	$ 138	$ -
Agribusiness	2,287	-	2,915	-
Total	$ 2,287	$ -	$ 3,053	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	$ 5,649	$ 896	$ 10,170	$ 329
Production and intermediate-term	5,662	901	10,360	142
Total	$ 11,311	$ 1,797	$ 20,530	$ 471
Total impaired loans:				
Real estate mortgage	$ 5,649	$ 896	$ 10,170	$ 329
Production and intermediate-term	5,662	901	10,498	142
Agribusiness	2,287	-	2,915	-
Total	$ 13,598	$ 1,797	$ 23,583	$ 471

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 September 30, 2021
Real estate mortgage	$ 3,706	$ -	$ -	$ 13	$ 830	$ 4,549
Production and intermediate-term	2,552	-	-	(2)	429	2,979
Agribusiness	3,335	-	-	60	(234)	3,161
Communication	-	-	-	(1)	14	13
Energy	11	-	-	(24)	39	26
Rural residential real estate	2	-	-	-	(1)	1
Total	$ 9,606	$ -	$ -	$ 46	$ 1,077	$ 10,729

	Balance at December 31, 2019	Charge-offs	Recoveries	Transfers (to) from Reserve for Unfunded Commitments	Provision for Credit Losses/(Credit Loss Reversals)	Balance at September 30, 2020
Real estate mortgage	$ 4,081	$ -	$ -	$ (9)	$ (209)	$ 3,863
Production and intermediate-term	3,773	-	-	(34)	(928)	2,811
Agribusiness	2,101	-	-	146	762	3,009
Energy	-	-	-	-	11	11
Rural residential real estate	2	-	-	-	-	2
Total	$ 9,957	$ -	$ -	$ 103	$ (364)	$ 9,696

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 $12.4 million and $29.4 million at September 30, 2021 and December 31, 2020, respectively. The Association recognized $0.7 million in loan processing fees from the SBA during the nine months ending September 30, 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 nine months ending September 30, 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 September 30, 2021 and December 31, 2020 was $52.1 million and $138.9 million, respectively.

Note 3 – Capital

The following sets forth the regulatory capital ratio requirements and ratios at September 30, 2021:

Ratios	**Ratios as of September 30, 2021**	**Minimum with Buffer***	**Minimum Requirement**
Common Equity Tier 1 Capital	13.48%	7.0%	4.5%
Tier 1 Capital	13.48%	8.5%	6.0%
Total Capital	13.80%	10.5%	8.0%
Tier 1 Leverage**	14.14%	5.0%	4.0%
Unallocated Retained Earnings (URE) and URE Equivalents Leverage	16.66%	1.5%	1.5%
Permanent Capital	13.52%	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 September 30, 2021.

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

September 30, 2021	Total Fair Value Level 3	Total Gains (Losses)
Assets:		
Impaired loans	$ 1	$(2,235)

December 31, 2020	Total Fair Value Level 3	Total Gains (Losses)
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.

Note 5 – Subsequent Events

The Association has evaluated subsequent events through November 2, 2021, which is the date the financial statements were issued, and no material subsequent events were identified.