Yosemite Farm Credit

Helping our Members Prosper

QUARTERLY REPORT

MARCH 2022

TABLE OF CONTENTS

A MESSAGE TO OUR MEMBERS

We are pleased to inform you of the Association's financial progress during the three months ending March 31, 2022. 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.

Member Patronage

The Association, in the form of qualified cash patronage, returned $28.6 million of its 2021 patronage sourced earnings to patrons in March 2022. This distribution effectively reduced each patron's interest rate in 2021 by approximately three-quarter percent.

Financial Highlights

The Association's first quarter 2022 net earnings were $20.4 million, which is approximately $9.0 million higher than the same period in the prior year.

Net interest income before the provision for credit losses increased $2.0 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 increased approximately $7.1 million during the first quarter compared to the same period last year. The increase was primarily due to nonrecurring fees assessed for the prepayment of our note payable to CoBank, ACB in the amount of $5.7 million in the first quarter 2021.

After the quarterly review of credit risk, the Association did not record a material provision for credit losses in the first quarter 2022 compared to a $0.5 million provision for credit losses in the first quarter 2021.

Non-interest expense increased approximately $0.6 million during the first quarter of which $0.2 million was an increase in the Farm Credit Insurance Fund premium and $0.2 million was an increase in salaries and benefits due to the annual increase in salary and benefits costs.

Credit quality increased to 98.2% Acceptable/OAEM at March 31, 2022 compared to 98.1% at March 31, 2021. Nonaccrual loan volume is $5.6 million and represents 0.2% of total loan volume. The volume of delinquent accounts, 0.4% 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 $5.0 million from $60.4 million at year-end to $65.4 million at March 31, 2022.

Thank you

We thank you for your patience and resilience during the last two years of the COVID 19 pandemic. The Association continues to ensure the health and safety of our Members and our Team Members.

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 assist with your agricultural financing needs.

Nancy Sill 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, 2022
($ in thousands)

	March 31, 2022 (unaudited)	December 31, 2021 (audited)
ASSETS		
Loans	$ 3,794,586	$ 3,798,338
Less allowance for loan losses	10,456	10,464
Net loans	3,784,130	3,787,874
Cash	-	4,380
Investment securities - held-to-maturity	4,995	5,508
Accrued interest receivable	23,900	34,800
Investment in CoBank, ACB	105,704	110,569
Premises and equipment, net	19,248	19,306
Other assets	10,479	24,467
Total assets	$ 3,948,456	$ 3,986,904
LIABILITIES		
Note payable to CoBank, ACB	$ 3,214,579	$ 3,248,890
Advance conditional payments	65,360	60,396
Accrued interest payable	3,155	2,774
Patronage distribution payable	-	28,600
Other liabilities	10,090	11,365
Total liabilities	3,293,184	3,352,025
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock and participation certificates	1,956	1,966
Unallocated retained earnings	653,317	632,914
Accumulated other comprehensive loss	(1)	(1)
Total shareholders' equity	655,272	634,879
Total liabilities and shareholders' equity	$ 3,948,456	$ 3,986,904

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

YOSEMITE FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
March 31, 2022
($ in thousands)

	Quarter Ended 3/31/2022 (unaudited)	Quarter Ended 3/31/2021 (unaudited)
INTEREST INCOME		
Loans	$ 33,435	$ 30,351
Investment securities	46	63
Total interest income	33,481	30,414
INTEREST EXPENSE		
Note payable to CoBank, ACB	8,529	7,402
Advance conditional payments	50	86
Total interest expense	8,579	7,488
Net interest income	24,902	22,926
Provision for credit losses	10	492
Net interest income after provision for credit losses	24,892	22,434
NON-INTEREST INCOME		
Patronage distribution from Farm Credit Institutions	5,596	3,969
Financially related services income	49	19
Note payable prepayment fees	-	(5,696)
Other non-interest income	362	577
Total non-interest income	6,007	(1,131)
NON-INTEREST EXPENSE		
Salaries and employee benefits	6,649	6,439
Occupancy and equipment	433	445
Farm Credit Insurance Fund premium	1,243	1,077
Other non-interest expense	2,169	1,931
Total non-interest expense	10,494	9,892
Income before income taxes	20,405	11,411
Provision for income taxes	2	2
Net income	$ 20,403	$ 11,409
COMPREHENSIVE INCOME		
Amortization of retirement credits	-	1
Total comprehensive income	$ 20,403	$ 11,410

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

YOSEMITE FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
March 31, 2022
($ in thousands)

	Capital Stock & Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
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)	$ 1,933	$ 599,976	$ (4)	$ 601,905
Balance at December 31, 2021	$ 1,966	$ 632,914	$ (1)	$ 634,879
Comprehensive income		20,403	-	20,403
Stock and participation certificates issued	31			31
Stock and participation certificates retired	(41)			(41)
Balance at March 31, 2022 (unaudited)	$ 1,956	$ 653,317	$ (1)	$ 655,272

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

YOSEMITE FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF CASH FLOWS
March 31, 2022
($ in thousands)

	Three months ended March 31, 2022	Three months ended March 31, 2021
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 20,403	$ 11,409
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	10	492
Depreciation and amortization	290	297
Gain on sale of premises and equipment	(11)	(17)
Stock patronage received from CoBank	(170)	(148)
Changes in operating assets and liabilities:		
Decrease in accrued interest receivable	10,900	13,045
Decrease in other assets	13,526	7,802
Increase (decrease) in accrued interest payable	381	(150)
(Decrease) increase in other liabilities	(1,161)	6,389
Net cash provided by operating activities	44,168	39,119
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease in loans	3,752	11,083
Retirement of stock in CoBank	5,497	-
Payments received on investment securities	513	665
Purchase of premises and equipment, net	(221)	(84)
Net cash provided by investing activities	9,541	11,664
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net repayment on note payable to CoBank	(34,311)	(56,561)
Note payable prepayment fees	(132)	(674)
Increase in advance conditional payments	4,964	13,078
Patronage distributions	(28,600)	(25,400)
(Retirement) issuances of capital stock and participation certificates, net	(10)	6
Net cash used in financing activities	(58,089)	(69,551)
Net decrease in cash	(4,380)	(18,768)
Cash at beginning of period	4,380	18,768
Cash at end of period	$ -	$ -
SUPPLEMENTAL CASH FLOW INFORMATON:		
Cash paid for interest	$ 8,198	$ 7,638
Cash paid for income taxes	$ 2	$ 2
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Net charge-offs	$ -	$ -
Transfer of allowance (to) from reserve for unfunded commitments	$ (18)	$ 14

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, 2021 are contained in the 2021 Annual Report to Stockholders. These unaudited first quarter 2022 financial statements should be read in conjunction with the 2021 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, 2021 as contained in the 2021 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, 2022. Descriptions of the significant accounting policies are included in the 2021 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 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 entities. 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 entities 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 has not and does not intend to early adopt the ASU prior to the required effective date of January 1, 2023. The Association is in the process of developing our CECL models and process framework. We believe the ASU may result in a change in the allowance for credit losses given the change to estimated losses over the contractual life, the amount of any increase or decrease, if any, will be impacted by the composition of our loan portfolio and credit quality at the adoption date as well as economic conditions at that time.

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:

	March 31, 2022	December 31, 2021
Real estate mortgage	$ 2,747,212	$ 2,738,753
Production and intermediate-term	597,511	635,831
Agribusiness	423,576	398,723
Communication	5,609	4,276
Energy	19,024	19,088
Rural residential real estate	1,654	1,667
Total	$ 3,794,586	$ 3,798,338

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, 2022:

	Participations with Other Farm Credit Institutions		Participations with Non-Farm Credit Institutions		Total Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 134,168	$ 261,364	$ -	$ -	$ 134,168	$ 261,364
Production and intermediate-term	71,546	85,083	-	-	71,546	85,083
Agribusiness	150,347	133,915	4,994	-	155,341	133,915
Communication	5,651	-	-	-	5,651	-
Energy	19,129	-	-	-	19,129	-
Total	$ 380,841	$ 480,362	$ 4,994	$ -	$ 385,835	$ 480,362

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

	March 31, 2022	December 31, 2021
Nonaccrual loans:		
Real estate mortgage	$ 1,970	$ 1,993
Production and intermediate-term	1,929	1,062
Agribusiness	1,704	1,704
Total nonaccrual loans	$ 5,603	$ 4,759
Accrual loans 90 days or more past due	-	-
Other property owned	-	-
Total nonperforming assets	$ 5,603	$ 4,759

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:

	March 31, 2022	December 31, 2021
Real estate mortgage		
Acceptable	97.2%	96.8%
OAEM	1.5	1.9
Substandard	1.3	1.3
Total	100.0%	100.0%
Production and intermediate-term		
Acceptable	91.0%	92.1%
OAEM	4.3	5.2
Substandard	4.7	2.7
Total	100.0%	100.0%
Agribusiness		
Acceptable	92.3%	91.7%
OAEM	6.2	6.9
Substandard	1.1	1.0
Doubtful	0.4	0.4
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	95.7%	95.6%
OAEM	2.5	2.9
Substandard	1.8	1.5
Doubtful	0.0	0.0
Total	100.0%	100.0%

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. Additionally, there has been significant geopolitical instability during the three months ending March 31, 2022. If less favorable economic and geopolitical 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 and geopolitical conditions 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.

March 31, 2022	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 9,007	$ -	$ 9,007	$ 2,757,383	$ 2,766,390	$ -
Production and intermediate-term	2,043	1,929	3,972	596,533	600,505	-
Agribusiness	5,640	1,704	7,344	417,846	425,190	-
Communication	-	-	-	5,640	5,640	-
Energy	-	-	-	19,078	19,078	-
Rural residential real estate	-	-	-	1,662	1,662	-
Total	$ 16,690	$ 3,633	$ 20,323	$ 3,798,142	$ 3,818,465	$ -

December 31, 2021	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 871	$ 73	$ 944	$ 2,766,988	$ 2,767,932	$ -
Production and intermediate-term	6,382	242	6,624	633,131	639,755	-
Agribusiness	-	1,704	1,704	398,615	400,319	-
Communication	-	-	-	4,304	4,304	-
Energy	-	-	-	19,134	19,134	-
Rural residential real estate	-	-	-	1,671	1,671	-
Total	$ 7,253	$ 2,019	$ 9,272	$ 3,823,843	$ 3,833,115	$ -

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 March 31, 2022			At December 31, 2021		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with a related allowance for credit losses:						
Agribusiness	$ 1,704	$ 1,704	$ 1,703	$ 1,704	$ 1,704	$ 1,703
Total	$ 1,704	$ 1,704	$ 1,703	$ 1,704	$ 1,704	$ 1,703
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	$ 1,970	$ 1,970	$ -	$ 1,993	$ 1,993	$ -
Production and intermediate-term	1,929	1,929	-	1,062	1,062	-
Total	$ 3,899	$ 3,899	$ -	$ 3,055	$ 3,055	$ -
Total impaired loans:						
Real estate mortgage	$ 1,970	$ 1,970	$ -	$ 1,993	$ 1,993	$ -
Production and intermediate-term	1,929	1,929	-	1,062	1,062	-
Agribusiness	1,704	1,704	1,703	1,704	1,704	1,703
Total	$ 5,603	$ 5,603	$ 1,703	$ 4,759	$ 4,759	$ 1,703

	For the Three Months Ended			
	March 31, 2022		March 31, 2021	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Agribusiness	$ 1,704	$ -	$ 2,389	$ -
Total	$ 1,704	$ -	$ 2,389	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	$ 1,982	$ -	$ 8,320	$ 104
Production and intermediate-term	1,085	41	8,338	362
Total	$ 3,067	$ 41	$ 16,658	$ 466
Total impaired loans:				
Real estate mortgage	$ 1,982	$ -	$ 8,320	$ 104
Production and intermediate-term	1,085	41	8,338	362
Agribusiness	1,704	-	2,389	-
Total	$ 4,771	$ 41	$ 19,047	$ 466

A summary of changes in the allowance for loan losses is as follows ($ thousands):

	Balance at December 31, 2021	Charge-offs	Recoveries	Transfers (to) from Reserve for Unfunded Commitments	Provision for Credit Losses/(Credit Loss Reversals)	Balance at March 31, 2022
Real estate mortgage	$ 4,597	$ -	$ -	$ 35	$ (276)	$ 4,356
Production and intermediate-term	3,033	-	-	(121)	313	3,225
Agribusiness	2,775	-	-	71	(24)	2,822
Communication	13	-	-	1	(1)	13
Energy	45	-	-	(4)	(2)	39
Rural residential real estate	1	-	-	-	-	1
Total	$ 10,464	$ -	$ -	$ (18)	$ 10	$ 10,456

	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

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 $0.4 million and $9.4 million at March 31, 2022 and December 31, 2021, respectively. There were no loan processing fees from the SBA recognized during the three months ending March 31, 2022. 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.

Note 3 – Capital

The following sets forth the regulatory capital ratio requirements and ratios at March 31, 2022:

Ratios	Ratios as of March 31, 2022	Minimum with Buffer*	Minimum Requirement
Common Equity Tier 1 Capital	13.40%	7.0%	4.5%
Tier 1 Capital	13.40%	8.5%	6.0%
Total Capital	13.70%	10.5%	8.0%
Tier 1 Leverage**	13.89%	5.0%	4.0%
Unallocated Retained Earnings (URE) and URE Equivalents Leverage	13.84%	1.5%	1.5%
Permanent Capital	13.44%	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 2021 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, 2022.

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

March 31, 2022	Total Fair Value Level 3	Total Gains (Losses)
Assets:		
Impaired loans	$ 1	$ (1,703)

December 31, 2021	Total Fair Value Level 3	Total Gains (Losses)
Assets:		
Impaired loans	$ 1	$ (1,704)

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 2021 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 2021 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 May 3, 2022, which is the date the financial statements were issued, and no material subsequent events were identified.