Annual Report 2024

FRESNO MADERA
FARM CREDIT
AGRICULTURE IS OUR ONLY BUSINESS

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Our Mission

To provide access to credit and related services to farmers and ranchers in our region as an efficient organization that delivers service with people that are passionate about creating the best possible customer experience to the generations of farmers and ranchers that we proudly serve.

Our Vision

To be the premier lender of choice in our region.

Our Values

Collaborative
Committed
Excellence
Strategic
Customer Focused
Responsible

Letter to Shareholders

Dear Shareholders,

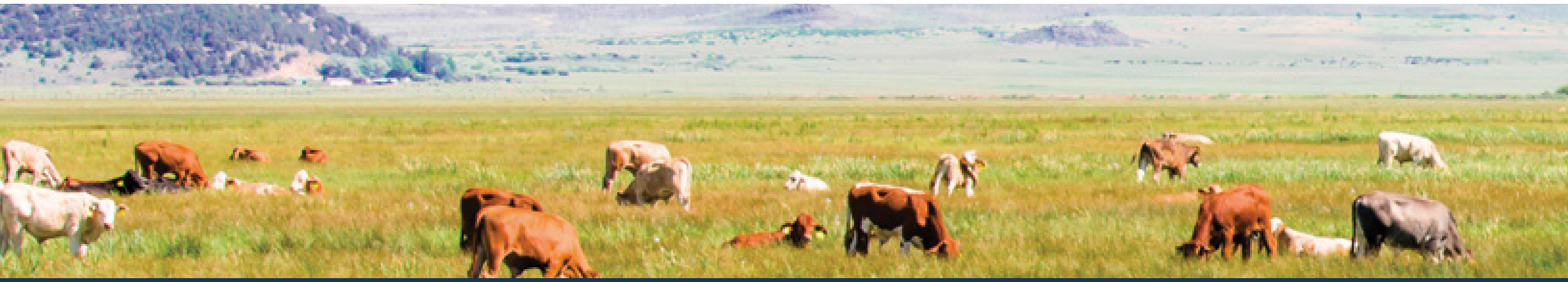
On behalf of the board of directors, management, and staff of Fresno Madera Farm Credit, I am pleased to report another year of solid financial performance and continued progress in advancing our strategic objectives. Our cooperative structure remains fundamental to our success, providing essential oversight through our board of directors while ensuring we stay true to our core mission: serving agriculture in our region.

OVERALL CONDITIONS

The 2024 operating environment reflected both persistent challenges and emerging signs of improvement. The early part of the year continued a pattern of elevated input costs and softer commodity prices, particularly in tree nuts, which had characterized recent seasons. While pricing improved for several commodities, including almonds, as we moved into the latter part of 2024, these improvements largely set the stage for 2025. The more favorable price environment has created a more optimistic outlook for the coming year. Throughout these market cycles, our members continued to adapt and adjust their operations in response to changing conditions.

Farm, Processing, and Marketing Costs Remain Elevated

Our members continue to experience a high-cost environment where many costs remain elevated above historic levels. While diesel and fertilizer prices showed some moderation during 2024, they remained significantly above their historical averages. Supply side dynamics for farm inputs, including fertilizers, remain mixed, with continued influence from global uncertainty and regional conflicts. These have in some cases removed supply or otherwise impacted the timely availability of inputs which creates support for the elevated pricing levels.



Improved Water Availability

Surface water supplies in 2024 benefited from improved precipitation and a strong snowpack from the prior winter, leading to increased water allocations throughout the year. These higher allocations helped stabilize water costs for many of our members. However, long-term water availability remains a key concern as groundwater regulations continue to shape water management decisions, influencing both access and costs for agricultural operations.

Gross Farm Revenues

Market conditions for our members varied significantly by commodity type and marketing period. The financial results we observed in 2024 largely reflected the marketing of 2023 crop production, which experienced generally weaker pricing conditions. Fresh produce operations, including citrus and other specialty crops, saw improved markets during their 2024 growing and marketing season. Tree nut pricing strengthened notably in the latter part of 2024, along with improved shipping conditions, though the full benefit of these improvements will extend into 2025 as marketing of these crops continues.

INTEREST RATES

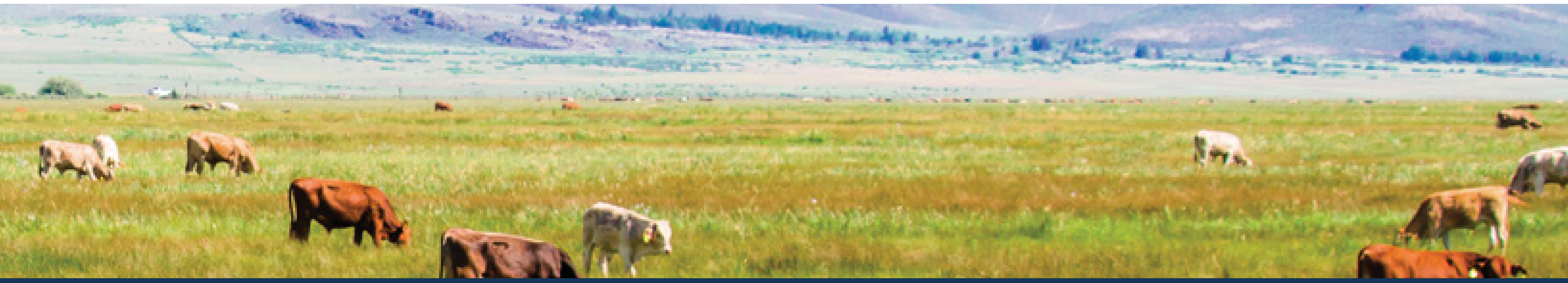
The U.S. Federal Reserve Board maintained elevated interest rates through most of 2024 as part of their ongoing effort to reduce inflation to its 2% target. After keeping rates steady through the first eight months of the year, the Fed began implementing rate cuts in September - marking its first reduction in four years with a 0.50% reduction to the Fed Funds Rate. The Fed made two additional 0.25% reductions in both November and December. High interest rates contributed significantly to reduced farm margins throughout most of 2024.

INVESTING IN OUR FUTURE

Our staff completes work each year to expand our capacity to meet members' evolving needs. During 2024, we continued to invest in technology platforms and digital solutions that enhance our service delivery and improve efficiency. These improvements, combined with our ongoing focus on staff development and succession planning, help ensure we maintain the capabilities needed to serve members effectively both today and in the future. As we look ahead, we'll continue implementing solutions that strengthen our operations while creating opportunities for more meaningful interactions with our members.

FINANCIAL RESULTS

Our 2024 financial results reflect both the reliability of our business model and our ongoing commitment to serving our members' needs. In a year marked by multiple challenges for agriculture, we maintained solid performance across our key financial metrics.



Earnings

Earnings represent our most vital financial resource, as they provide the foundation for maintaining adequate capital levels, funding our allowance for credit losses, and making the necessary investments to serve our members' future needs. We are pleased to report that we continue to serve the membership with a strong overall financial position, as capital, earnings, and portfolio quality all remain strong as of the fiscal year ended December 31, 2024.

Net Interest Income

Our net interest income increased by 8.75% from $40.3 million in 2023 to $43.9 million in 2024. The increase was driven by a 7.36% increase in our loans outstanding year over year and increases in the interest we earn on our invested capital. Net interest income is the primary driver of our earnings, and the growth in 2024 was supported by continued expansion across multiple sectors of our loan portfolio. We saw particularly strong growth in real estate mortgage and agribusiness lending.

Non-Interest Income

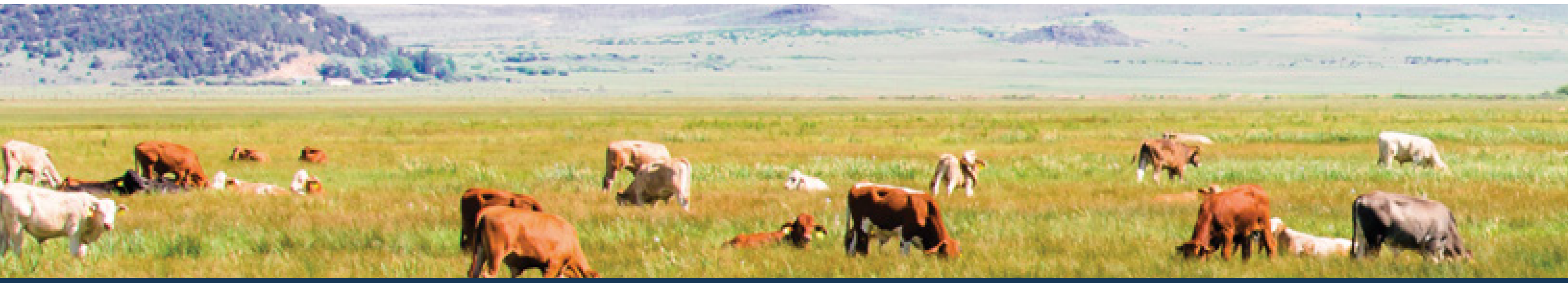
Loan and appraisal fees combined with patronage are the primary sources of our non-interest income. We receive patronage on loans we've sold to other Farm Credit institutions as well as from our direct note with our funding bank, CoBank. Overall, our non-interest income increased by 10.25%, driven by higher patronage and loan fees, along with a non-recurring Farm Credit Insurance Fund rebate.

Non-Interest Expense

Operating expenses grew in 2024, reflecting investments in our workforce and technology infrastructure. Personnel costs increased as we added key positions and maintained competitive compensation levels. We also saw higher technology expenses as we continued to enhance our systems and digital capabilities to better serve our members' evolving needs.

Credit Quality

The strength of our credit quality continues to reflect both our disciplined lending practices and our commitment to agriculture. As of year-end 2024, 94.61% of our loan portfolio was classified as Acceptable or OAEM (potentially weak),



compared to 96.83% in the prior year. Non-performing assets, which include non-accrual loans and loans 90 days or more past due, increased to 0.48% of total loans from 0.32% in 2023. As a mission-focused lender, we understand that agriculture operates in cycles, and we remain committed to working with our members through varying market conditions while maintaining sound credit administration practices.

Net Income

Our 2024 financial performance reflects our continued operational strength. Net income increased by 4.95% to $28.0 million, driven primarily by the growth in net interest income discussed above. Our focus remains on generating sustainable earnings that enable us to grow with our members - maintaining strong capital levels, investing in key capabilities, and supporting our patronage program. For the year, return on average assets was 1.66%, within our board's target range of 1.60% to 1.80%.

CAPITAL AND PATRONAGE

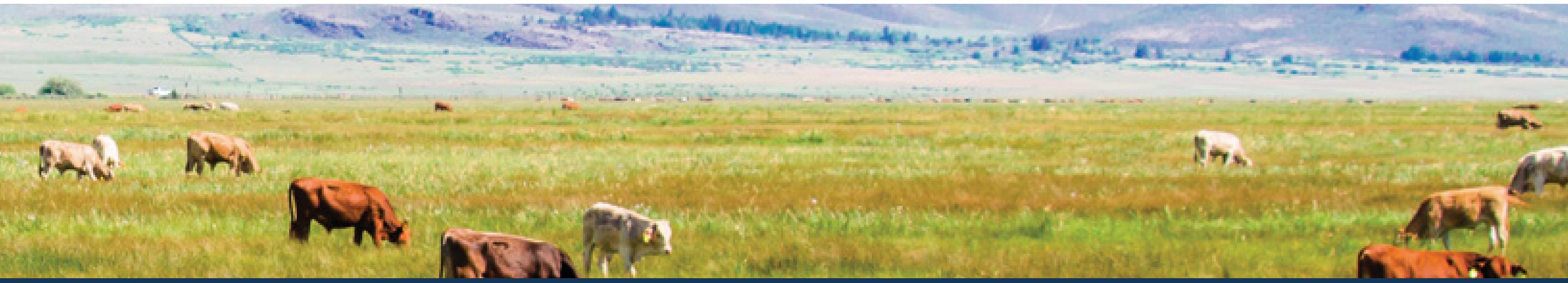
In 2024, we continued to balance the need for strong capital with our commitment to a meaningful patronage program. Strong capital provides the foundation to support growth, absorb credit losses during challenging times, and maintain our lending capacity when our members need us most. Our patronage program remains a key differentiator of our cooperative model, reducing borrowing costs for our members.

Patronage

Through our cooperative structure's patronage program, when earnings are available for distribution, members receive their proportional share. For 2024, your board of directors approved a patronage distribution of $14.6 million, representing 0.75% of patronage-sourced volume and 53% of our net income. This distribution reflects careful consideration of both our current financial strength and future operational needs.

Capital

Our capital position continued to strengthen, with member equity growing to $331.3 million, a 4.20% increase from the prior year. Our Total Capital Ratio of 15.44% remains well above regulatory requirements and board-established targets. The quality of our capital is particularly strong, consisting primarily of unallocated retained earnings and common stock. This solid foundation positions us well for continued stability and growth.



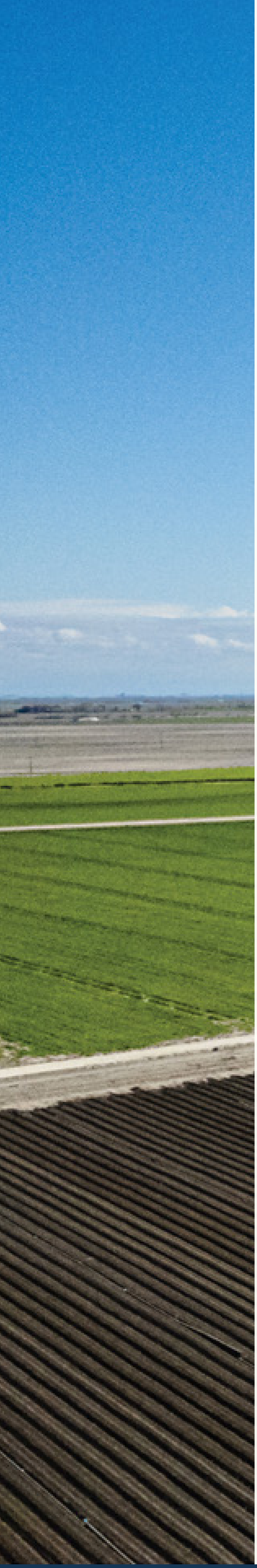

FRESNO MADERA FARM CREDI
NOTICE
NO MONEY

Executive Summary

Our cooperative's success reflects the strength of our partnerships with members and the dedication of our team. Through changing market conditions and evolving challenges, we remain focused on delivering value while maintaining the financial strength needed for long-term stability. We appreciate your trust in Fresno Madera Farm Credit and look forward to supporting your operations in the years to come.

JEFF YRIBARREN
Chairman of the Board
Fresno Madera Farm Credit, ACA
Fresno Madera PCA, FLCA

KEITH HESTERBERG
President & Chief Executive Officer
Fresno Madera Farm Credit, ACA
Fresno Madera PCA, FLCA



Board of Directors

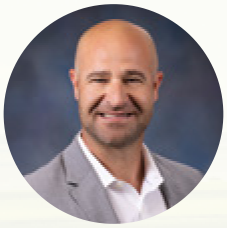
Jeff Yribarren
Board Chair

Wayne Carstens
Vice Chair

Jeff Jue
Second Vice Chair

Jeff Boldt
Board Member

Daniel Errotabere
Board Member



Paul Basila
Board Member

Steve Schafer
Board Member

Lance Shebelut
Board Member

Allan Kantrowitz
Appointed Director

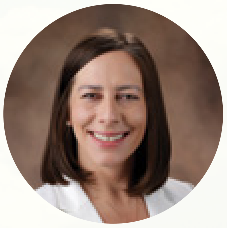
Sandi Schmiesing
Appointed Director

Denise Waite
Appointed Director

Senior Leadership Team

Keith Hesterberg
President & Chief Executive Officer

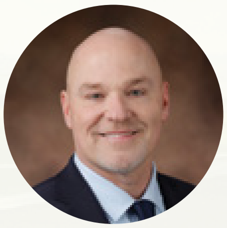
Dan Kiggens
Senior Vice President, Chief Credit Officer, Chief Risk Officer



Marta Decker
Senior Vice President, Chief Financial Officer

Stephanie Graham
Senior Vice President, Chief Administrative Officer

Ken Thomas
Senior Vice President, Chief Operating Officer



Casey Baker
Senior Vice President, Senior Director of Credit Operations and Development

Rob Bogdanovich
Senior Vice President, Relationship Management

Ken Brown
Senior Vice President, Appraisal Program Manager

David Ylarregui
Senior Vice President, Senior Advisor, Cross Functional Initiatives

Year in Review

2024 Year in Review

DOLLARS IN THOUSANDS

	2024	2023	2022	2021	2020
PATRONAGE DISTRIBUTION DECLARED	$14,600	$19,355	$17,094	$14,121	$12,650
NET INCOME	$27,957	$26,639	$26,066	$24,922	$24,288
LOAN PRINCIPAL	$1,677,783	$1,562,832	$1,453,296	$1,351,411	$1,291,568
PERMANENT CAPITAL RATIO	15.28%	16.24%	16.63%	16.81%	16.93%
TOTAL REGULATORY CAPITAL RATIO	15.44%	16.40%	16.99%	17.21%	17.36%
RETURN ON AVERAGE ASSETS	1.66%	1.69%	1.78%	1.80%	1.85%
EFFICIENCY RATIO	50.7%	51.6%	50%	47.0%	44.0%
TOTAL ASSETS	$1,795,585	$1,672,224	$1,553,343	$1,425,421	$1,363,512
TOTAL MEMBER CAPITAL	$331,287	$317,947	$309,075	$300,110	$289,306
ACCEPTABLE/OAEM VOLUME % OF P&I	94.61%	96.83%	98.64%[1]	98.97%[1]	98.39%[1]
NONACCRUAL LOANS AS % OF TOTAL LOANS	0.34%	0.15%	0.14%	0.15%	0.39%

[1]Prior to the adoption of CECL on January 1, 2023, loans were presented with accrued interest receivables.

2024 Loan Value by Composition

DOLLARS IN THOUSANDS

REAL ESTATE MORTGAGE	62%	$1,042,878
AGRIBUSINESS	17%	$292,212
PRODUCTION AND INTERMEDIATE-TERM	16%	$262,864
ENERGY	2%	$34,869
COMMUNICATIONS	2%	$28,227
LEASE RECEIVABLES	1%	$16,733

Year
in Review

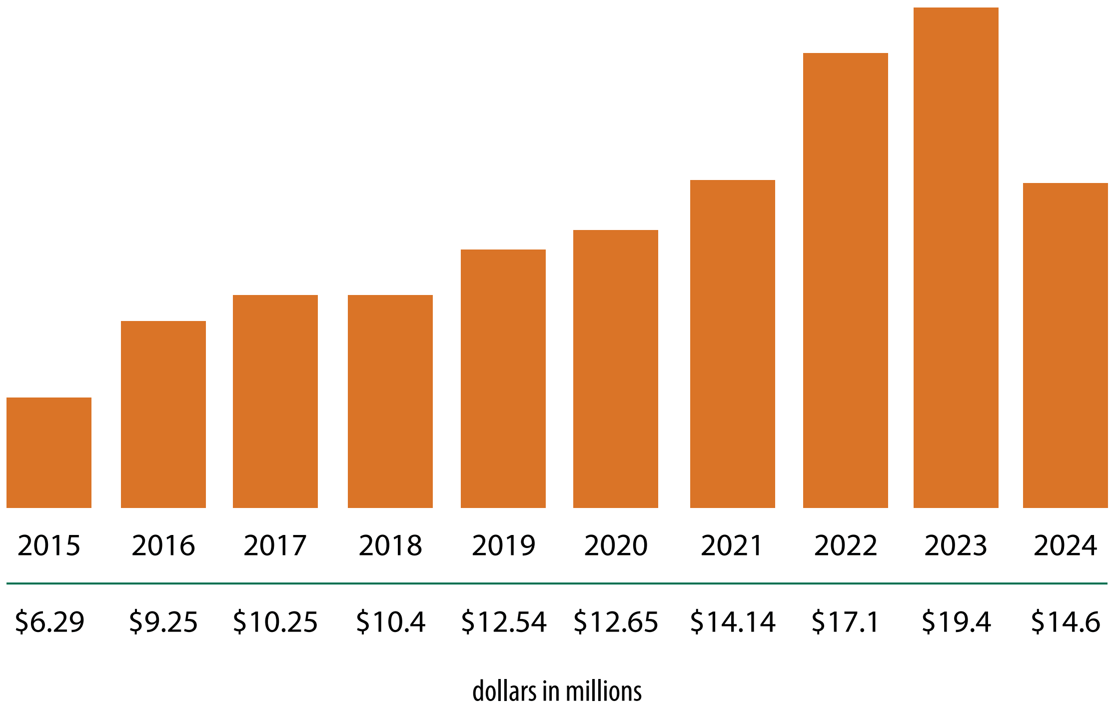
Commodities Financed

Fresno Madera Farm Credit's portfolio of commodities financed is a direct reflection of the diversity of agricultural commodities across Fresno and Madera counties. These neighboring Central Valley counties are renowned for their rich soil and favorable climate, allowing for the cultivation of a wide range of crops. Both counties' commitment to sustainable farming practices and innovative techniques ensures a steady supply of fresh and high-quality agricultural products, contributing significantly to California's reputation as a global agricultural powerhouse.

Almonds	31%
Ag-Related Business	19%
Other	11%
Pistachios	9%
Tree Fruit	8%
Wine & Table Grapes	7%
Raisins	5%
Dairy	4%
Rural Infrastructure	3%
Vegetables & Melons	3%

Patronage Distributions

In 2024, after meeting all the association's financial needs – including the need to capitalize planned loan growth and other future needs – the board approved a patronage distribution in the amount of $14.6 million. The $14.6 million patronage distribution represents 0.75% of member's average loans outstanding for 2024.



Giving Back to the Community

In 2024, Fresno Madera Farm Credit allocated $187,336 to support 93 agricultural and community organizations across our service area. This represents a 5% increase from our 2023 community investment, allowing us to expand our focus on agricultural education, industry advocacy, and rural development programs. Additionally, our staff contributed 245 volunteer hours to support these initiatives, primarily focused on youth agricultural programs and community development projects.

Investing in the Future of Agriculture

Agricultural Education Programs

Our agricultural education support reached hundreds of students through structured programs with measurable outcomes. We provided $68,000 in funding across 10 FFA chapters and 28 4-H clubs in Fresno and Madera counties, supporting specific educational initiatives including:

- Livestock project funding for 89 students who demonstrated financial management skills
- Equipment grants provided tools for 10 FFA students to support their agricultural mechanics education
- Scholarship support for 5 students pursuing agricultural degrees at regional colleges

These investments align with our strategic commitment to developing skilled professionals who understand both agricultural practices and financial management.

Professional Development Initiatives

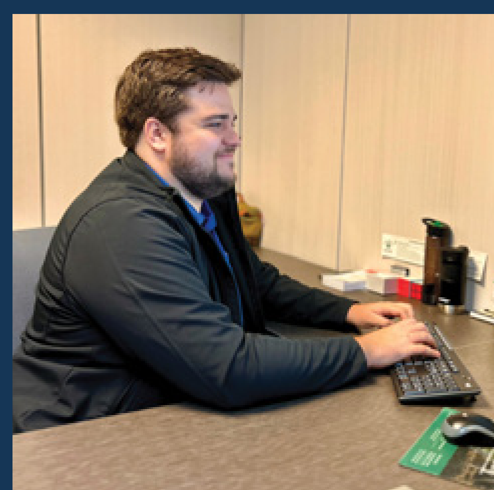
To strengthen the agricultural talent pipeline, we structured two distinct professional development programs in 2024:

High School Program:

Our Banking Fundamentals workshops engaged more than 120 students from regional FFA chapters, delivering practical financial education through a structured curriculum. Students completing the program demonstrated measurable improvements in understanding banking terminology, credit structures and financial statements – essential knowledge regardless of their future agricultural roles.

Rotational Associate Program:

This year marked the fourth year of our associate development program, which has now graduated 6 professionals, with 5 currently serving in the agricultural finance sector. The structured nine-month curriculum includes formal training across lending, credit analysis, loan documentation, operations, fiscal, marketing, appraisal, and risk management, providing associates with knowledge and professional skills applicable throughout their careers.



Investing in the Future of Agriculture

Community Impact Measurement

In 2024, we implemented outcome-based assessment for our community programs, measuring both immediate participation and long-term impact.

Youth Meal Program:

Our Youth Exhibitor Breakfast Series involved our staff cooking and serving more than 1,500 meals to youth exhibitors at The Big Fresno Fair, ensuring they had nutritious meals to support their participation in fair activities and competitions.

Educational Support:

Our Banking Fundamentals workshop series equipped more than 120 high school students with practical knowledge about agricultural finance, banking basics, and loan processes. Post-program assessments showed that 84% of participants gained a clearer understanding of financial tools available to support their agricultural futures.

Workforce Development Opportunities:

Our collaboration with the Center for Land-Based Learning expanded workforce development opportunities for 35 early-career professionals through structured mentoring relationships with established agricultural leaders. We have begun tracking outcomes for this program to better understand how participating mentees benefit from these connections and career development opportunities.

Strategic Alignment

These community investments directly support our institutional mission by strengthening the agricultural sector through three strategic channels:

Workforce Development:

Building financial literacy and professional skills in the next generation of agricultural producers and professionals.

Industry Resilience:

Supporting organizations that advocate for sustainable agricultural policies and practices.

Community Strength:

Investing in rural infrastructure and development to maintain vibrant agricultural communities.

We measure success not by activities conducted but by specific outcomes achieved, ensuring our community investments deliver meaningful returns for both program participants and our broader agricultural community.

REPORT OF MANAGEMENT

The consolidated financial statements of Fresno Madera Farm Credit, ACA (Association) are prepared and reviewed by management, who is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. In the opinion of management, the accompanying consolidated financial statements fairly present the financial condition and results of operations of the Association, in conformity with accounting principles generally accepted in the United States of America. Other financial information included in the 2024 Annual Report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. To monitor compliance, the Association engaged Deloitte & Touche LLP to test accounting records, review accounting systems and internal controls, and recommend improvements as appropriate in support of our internal audit function. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, independent auditors. The Association is also examined by the Farm Credit Administration.

The Audit Committee of the Board of Directors has overall responsibility for the Association's system of internal controls and financial reporting. The Audit Committee meets and consults regularly with management and the auditors to review the manner in which these groups are performing their responsibilities and to carry out the Board's oversight role with respect to auditing, internal controls, and financial reporting matters. The independent auditors also have direct access to the Audit Committee.

The undersigned certify that the Fresno Madera Farm Credit, ACA 2024 Annual Report has been prepared and reviewed in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

March 14, 2025

Denise Waite

Denise Waite
Audit Committee Chair

Keith Hesterberg

Keith Hesterberg
President and Chief Executive Officer

Wayne Carstens

Wayne Carstens
Audit Committee Vice Chair

Marta Decker

Marta Decker
Senior Vice President and Chief Financial Officer

Jeff Yribarren

Jeff Yribarren
Chairman of the Board

Jeff Jue

Jeff Jue
Audit Committee Member

Paul Basila

Paul Basila
Audit Committee Member

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The principal executives and principal financial officers of Fresno Madera Farm Credit, ACA (Association) are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's consolidated financial statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, and effected by its Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Association's assets that could have a material effect on its consolidated financial statements.

Management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2024. In making the assessment, management used the framework in Internal Control — Integrated Framework (2013), promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of December 31, 2024, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2024.

March 14, 2025

Keith Hesterberg
Keith Hesterberg
President and Chief Executive Officer

Marta Decker
Marta Decker
Senior Vice President and Chief Financial Officer

AUDIT COMMITTEE REPORT

The Audit Committee (Committee) is comprised of four members from the Board of Directors of Fresno Madera Farm Credit, ACA (Association). In 2024, seven Committee meetings were held. The Committee oversees the scope of the Association's internal audit program, the independence of the outside auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Committee's responsibilities are described more fully in the Internal Controls Policy and the Audit Committee Charter.

The Committee approved the appointment of PricewaterhouseCoopers LLP (PwC) as the Association's independent auditors for 2024. The fees for professional services rendered for the Association by its independent auditor, PwC, during 2024 were $167,400 for audit services and $23,310 for tax services. The Committee reviewed the non-audit services provided by PwC and concluded these services were not incompatible with maintaining the independent auditor's independence.

Management is responsible for the Association's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the Association's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed the Association's Quarterly Reports and the Association's audited financial statements for the year ended December 31, 2024 (the "Financial Statements") with management. The Committee also reviews with PwC the matters required to be discussed by Statements on Auditing Standards. Both PwC and the Association's internal auditors directly provide reports on significant matters to the Committee.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the Board of Directors include the Financial Statements in the Association's Annual Report to Shareholders for the year ended December 31, 2024 and for filing with the Farm Credit Administration.

March 14, 2025

Denise Waite

Denise Waite, Audit Committee Chair

Audit Committee Members

Denise Waite, Audit Committee Chair
Wayne Carstens, Audit Committee Vice Chair
Jeff Jue, Audit Committee Member
Paul Basila, Audit Committee Member
Jeff Yribarren, Chairman of the Board

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA

Dollars in thousands, Unaudited

	December 31				
	2024	2023	2022	2021	2020
Consolidated Statements of Condition Data					
Loans	$ 1,677,783	$ 1,562,832	$ 1,453,296	$ 1,351,411	$ 1,291,568
Less: allowance for credit losses	3,401	3,038	5,935	7,012	7,370
Net loans	1,674,382	1,559,794	1,447,361	1,344,399	1,284,198
Investment in CoBank, ACB	42,976	39,788	39,833	40,876	40,398
Other assets	78,227	72,642	66,149	40,146	38,916
Total assets	$ 1,795,585	$ 1,672,224	$ 1,553,343	$ 1,425,421	$ 1,363,512
Obligations with maturities of one year or less	$ 1,463,515	$ 1,353,436	$ 1,243,531	$ 1,124,436	$ 1,073,338
Obligations with maturities longer than one year	624	590	496	498	474
Reserve for unfunded commitments	159	251	241	377	394
Total liabilities	1,464,298	1,354,277	1,244,268	1,125,311	1,074,206
Capital stock and participation certificates	703	720	753	760	757
Unallocated retained earnings	330,584	317,227	308,322	299,350	288,549
Total members' equity	331,287	317,947	309,075	300,110	289,306
Total liabilities and members' equity	$ 1,795,585	$ 1,672,224	$ 1,553,343	$ 1,425,421	$ 1,363,512

	For the Year Ended December 31				
	2024	2023	2022	2021	2020
Consolidated Statements of Income Data					
Net interest income	$ 43,880	$ 40,351	$ 37,314	$ 35,008	$ 33,293
Patronage distribution from Farm Credit institutions	11,838	11,265	10,752	9,795	8,594
Provision for credit losses (credit loss reversal)	459	(940)	(1,063)	(391)	342
Noninterest expense, net	27,300	25,915	23,061	20,270	17,309
Provision for (benefit from) income taxes	2	2	2	2	(52)
Net income	$ 27,957	$ 26,639	$ 26,066	$ 24,922	$ 24,288
Key financial ratios for the year					
Return on average assets	1.66%	1.69%	1.78%	1.80%	1.85%
Return on average members' equity	8.32%	8.14%	8.29%	8.23%	8.36%
Net interest income as a percentage of average earning assets	2.77%	2.72%	2.69%	2.66%	2.67%
Net charge-offs (recoveries) as a percentage of average loans	<0.01%	<0.01%	<0.01%	(<0.01%)	(0.01%)
Key financial ratios at year end					
Members' equity as a percentage of total assets	18.45%	19.01%	19.90%	21.05%	21.22%
Debt as a ratio to members' equity	4.42:1	4.26:1	4.03:1	3.75:1	3.71:1
Allowance for credit losses as a percentage of loans	0.20%	0.19%	0.41%	0.52%	0.57%
Common equity tier 1 (CET1) capital ratio	15.25%	16.21%	16.57%	16.74%	16.84%
Tier 1 capital ratio	15.25%	16.21%	16.57%	16.74%	16.84%
Total capital ratio	15.44%	16.40%	16.99%	17.21%	17.36%
Tier 1 leverage ratio	17.42%	18.73%	18.97%	19.41%	19.45%
Unallocated retained earnings (URE) and URE equivalents (UREE) leverage ratio	17.38%	18.68%	18.92%	20.64%	20.63%
Permanent capital ratio	15.28%	16.24%	16.63%	16.81%	16.93%
Other					
Cash patronage distributions declared	$ 14,600	$ 19,355	$ 17,094	$ 14,121	$ 12,650
Cash patronage distributions paid	$ 19,355	$ 17,094	$ 14,121	$ 9,387	$ 15,802

MANAGEMENT'S DISCUSSION AND ANALYSIS

Unaudited

INTRODUCTION

The following discussion summarizes the financial position and results of operations of Fresno Madera Farm Credit, ACA (Association) as of and for the year ended December 31, 2024. Comparisons with prior years are included. We have emphasized material known trends, commitments, events, or uncertainties that have impacted, or are reasonably likely to impact, our financial condition and results of operations. The discussion and analysis should be read in conjunction with the accompanying consolidated financial statements, footnotes, and other sections of this report. The accompanying consolidated financial statements were prepared under the oversight of our Audit Committee. Management's Discussion and Analysis includes the following sections:

- Business Overview
- Economic Overview
- Results of Operations
- Loan Portfolio
- Credit Risk Management
- Liquidity
- Capital Resources
- Regulatory Matters
- Critical Accounting Policies and Estimates
- Forward-Looking Statements

Our quarterly reports to members are available approximately 40 days after the calendar quarter end and annual reports are available approximately 75 days after the calendar year end. The reports may be obtained free of charge on our website, www.fmfarmcredit.com, or upon request. We are located at 4635 West Spruce, P.O. Box 13069, Fresno, California 93794-3069 or may be contacted by calling (559) 277-7000.

BUSINESS OVERVIEW

Farm Credit System Structure and Mission

As of December 31, 2024, we are one of 55 associations in the Farm Credit System (System), which was created by Congress in 1916 and has served agricultural producers for over 100 years. The System's mission is to provide sound and dependable credit to American farmers, ranchers, and producers or harvesters of aquatic products and farm-related businesses through a member-owned cooperative system. This is accomplished by providing loans and financial services. Through its commitment and dedication to agriculture, the System continues to have the largest portfolio of agricultural loans of any lender in the United States. The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow, and financial services which can be provided by the Association. The Farm Credit Administration (FCA) is the System's independent safety and soundness federal regulator and was established to supervise, examine, and regulate System institutions.

Our Structure and Focus

As a cooperative, we are owned by the members we serve. Members are farmers, ranchers, rural residents, and agribusinesses under eligibility as prescribed in the Farm Credit Act. Members of the Association include all holders of legal title to capital stock or participation certificates of the Association. The territory we serve extends across a diverse agricultural region of the San Joaquin Valley in California, specifically within Fresno and Madera counties. We provide production and intermediate-term loans for agricultural production or operating purposes and long-term real estate mortgage loans. Additionally, we provide other related services to our borrowers, such as funds held accounts, credit life insurance, multi-peril crop and crop hail insurance, lease placement, and appraisal services. Our success begins with our extensive agricultural experience and knowledge of the market and is dependent on the level of satisfaction we provide to our borrowers.

As part of the System, we obtain the funding for our lending and operations from one of the four banks in the System — CoBank, ACB (CoBank). In addition to providing lines of credit, CoBank is responsible for providing oversight to ensure compliance with its general financing agreements with the Association and each subsidiary.

We, along with the borrower's investment in our Association, are materially affected by CoBank's financial condition and results of operations. The CoBank 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 4635 West Spruce, P.O. Box 13069, Fresno, California 93794-3069 or calling (559) 277-7000. Annual reports are available within 75 days after year end and quarterly reports are available within 40 days after the calendar quarter end.

We purchase technology and other operational services from Financial Partners, Inc. (FPI), which is a technology service corporation. Additionally, we purchase payroll and human resource services from Farm Credit Foundations, a human resource service provider for a number of Farm Credit institutions.

ECONOMIC OVERVIEW

The Agricultural Improvement Act of 2018 (Farm Bill) was initially set to govern federal farm and food programs through 2023. However, the American Relief Act of 2025, signed into law on December 21, 2024, extended the Farm Bill for an additional year, now expiring on September 30, 2025. This extension continues support for crop insurance, commodity programs, and livestock disaster assistance, and maintains the updated voluntary margin protection program for dairy producers, offering them greater operational flexibility. The Farm Bill also clarifies the Insurance Corporation's authority, role, and procedures for acting as a conservator or receiver of a troubled System institution. The Farm Bill provides a range of statutory options to the Insurance Corporation including, but not limited to, marshalling and liquidating assets, satisfying claims of creditors, and using interim funding mechanisms, such as bridge banks.

California's Agricultural Environment Overview

In recent years, various agricultural sectors have faced economic challenges affecting credit quality. Factors such as higher operating costs due to inflation, labor and water availability issues, rising interest rates, adverse weather conditions, unfavorable trade conditions, and commodity price volatility have impacted agricultural profitability. These challenges may negatively influence our financial performance and credit quality measures.

California's agricultural economy remains a significant contributor to the state's overall economy with cash receipts in excess of $59 billion received by farms and ranches in 2023. Despite some positive trends, the industry continues to experience net operational profit pressures, primarily driven by persistently high operating costs due to inflation and elevated interest rates.

Improved supply and demand dynamics have led to increasing commodity prices in several sectors, including nuts and dairy, providing relief to some producers. However, other sectors, such as wine grapes and cotton, faced declining demand and export challenges, pushing prices to breakeven levels or below, straining financial resources. With stronger operating margins, particularly in almonds, we anticipate modest improvement of credit quality, with a majority of our borrowers maintaining acceptable financial positions. Additional commodity details can be found in the Portfolio Diversification section.

Water Availability

Water availability remains a critical long-term concern in the San Joaquin Valley, where growers depend on a complex water distribution system for crop irrigation. This system includes two primary water sources: pumped groundwater and surface water deliveries from reservoirs and canals that channel runoff from regions with higher rainfall and snow. Several factors influence water availability, including:

- Annual precipitation rates that in drought years may not be sufficient to fill the reservoirs that capture the spring runoff;
- Ground water legislation referred to as the Sustainable Groundwater Management Act (SGMA);
- Critical issues related to environmental demands and regulatory restrictions of water;
- Ground water quality requirements for dairy and ag processing businesses; and,
- Continued challenges related to increased competition for existing water supplies by metropolitan / industrial users, quality control, and fisheries.

After several years of below average precipitation and snowfall that led to extreme drought conditions across much of California, the 2022/2023 season was well above average with the state enduring significant rain and snow events that resulted in a record snowpack and restored storage reservoirs to levels that are well above normal. With an abundance of surface water, districts were able to provide an adequate supply of lower cost water to their customers, minimizing groundwater extraction. Further, districts were able to capture flood releases and divert the water to recharge basins, which will help improve groundwater sustainability as required by SGMA. While the 2023/24 season did not reach prior year levels, precipitation and snowfall were again above average, which continued the momentum from the prior year and has the region well positioned as we move into the 2024/25 season.

Due to the elevated pumping of groundwater, the State of California passed the SGMA in 2014 to regulate groundwater usage. It aims to achieve sustainable groundwater management by requiring that groundwater basins be managed to avoid overdraft, land subsidence, and other undesirable results. The law mandates that local agencies, called Groundwater Sustainability Agencies (GSAs), develop and implement Groundwater Sustainability Plans (GSPs) to achieve sustainability goals by January 31, 2040. These plans must be reviewed and approved by California's Department of Water Resources (DWR).

As of December 31, 2024, the GSPs that cover the majority of the Association's loan servicing area (LSA) have been approved, with the level of pumping restrictions in line or lower than originally anticipated. While GSPs are subject to periodic review by the DWR and requirements will change based on actual conditions, the approval of the plans minimized some concern relative to the availability of groundwater to support surface allocations and brought some stability when assessing water scarcity risk.

Land Value Trends in the San Joaquin Valley

The San Joaquin Valley continues to experience downward pressure on permanent planting and open land values primarily due to elevated interest rates, tight operating margins, high input costs, and increased awareness of the impacts of SGMA (specifically increased water costs and decreased water availability). The softening land values are especially evident in the Southern San Joaquin Valley, Westside almond orchards, and Madera County "white areas" (lands entirely reliant on pumped groundwater for irrigation). Additionally, brokers are reporting resistance to current listing prices, and it appears many sellers are reluctant to accept the softening value trend in these areas. Sales data in these markets is currently limited; however, recent marketing periods, lower offers, and limited transactions in the marketplace appear to support this softening trend.

Management views the risks associated with drought conditions, regulations related to the implementation of SGMA, and softening land values as risks that could lead to deterioration within the loan portfolio. While the full effects of the legislation continue to develop, management anticipates the areas within our LSA subject to more stringent pumping restrictions may experience long-term negative impacts, including diminished cash flow and greater volatility of the value of the real property that secures our long-term loans. Management is closely monitoring the status of the sustainability plans and continues to evolve our underwriting practices to ensure that water scarcity risk is properly identified and analyzed when loans are originated.

RESULTS OF OPERATIONS

Net income for the year ended December 31, 2024, was $28.0 million as compared to $26.6 million and $26.1 million for 2023 and 2022, respectively.

The following table reflects key performance results as of December 31:

($ in thousands)	2024	2023	2022
Net income	$ 27,957	$ 26,639	$ 26,066
Net interest income	$ 43,880	$ 40,351	$ 37,314
Net interest margin	2.77%	2.72%	2.69%
Return on average assets	1.66%	1.69%	1.78%
Return on average members' equity	8.32%	8.14%	8.29%

Change in the significant components impacting the results of operations are summarized in the following table:

($ in thousands)	2024 vs. 2023	2023 vs. 2022
Net income, prior year	$ 26,639	$ 26,066
Increase (decrease) due to:		
Interest income	10,680	43,254
Interest expense	(7,151)	(40,217)
Net interest income	3,529	3,037
Credit loss reversal	(1,399)	(123)
Noninterest income	1,267	(58)
Noninterest expense	(2,079)	(2,283)
Total increase in net income	1,318	573
Net income, current year	$ 27,957	$ 26,639

Net Interest Income

Net interest income for 2024 totaled $43.9 million, reflecting an increase from $40.3 million in 2023 and $37.3 million in 2022. This represents year-over-year growth of $3.5 million, or 8.75%, driven primarily by higher average loan volume and increased earnings from invested capital. Net interest income is the primary driver of our earnings and is influenced by three key factors: the volume of interest-earning assets, yields on those assets, and the cost of funding. The growth in 2024 was supported by continued growth in our loan portfolio, particularly in the real estate mortgage and agribusiness sectors. Additionally, elevated short-term interest rates contributed to higher returns on our invested capital, effectively offsetting some of the increased funding costs. These investment earnings are reflected as a reduction to interest expense, enhancing overall net interest income.

The following table provides an analysis of the individual components of the change in net interest income during 2024 and 2023:

($ in thousands)	2024 vs. 2023	2023 vs. 2022
Net interest income, prior year	$ 40,351	$ 37,314
Increase (decrease) due to:		
Interest rates earned	3,222	36,468
Interest rates paid	(1,841)	(35,097)
Net volume of interest-bearing assets and liabilities	2,022	1,666
Interest income on nonaccrual loans	126	-
Increase in net interest income	3,529	3,037
Net interest income, current year	$ 43,880	$ 40,351

Our net interest margin increased to 2.77% in 2024 from 2.72% in 2023 primarily due to higher average loan volume coupled with an increase in earnings associated with our invested capital. Our loan portfolio continues to be well diversified in Variable, Indexed Rate, and Fixed Rate loan products.

Provision for Credit Losses

We monitor our loan portfolio on a regular basis to determine if any increase through provision for credit losses or decrease through a credit loss reversal in our allowance for credit losses is warranted based on our estimate of credit losses over the remaining expected life of loans. We recorded a provision for credit loss of $459 thousand in 2024, and a credit loss reversal of $940 thousand, and $1.1 million in 2023 and 2022, respectively. The increase to our provision is the result of increased loan volume coupled with a slight deterioration of our credit quality. Further discussion of the provision for credit losses can be found in Note 3, "Loans and Allowance for Credit Losses," of the accompanying consolidated financial statements.

Noninterest Income

Noninterest income for 2024 totaled $13.6 million, reflecting an increase from $12.4 million in both 2023 and 2022. The primary driver of noninterest income is patronage distributions, which include patronage earnings from direct borrowings with CoBank and income from loan participation activity with CoBank and other Farm Credit associations. The increase in 2024 was largely attributed to a higher patronage allocation from both CoBank and other Farm Credit institutions, reflecting continued strong financial performance across the Farm Credit System. Additionally, the increase in noninterest income was driven by a one-time $444 thousand rebate from the Farm Credit System Insurance Corporation ("FCSIC") along with an increase in unused commitment fees recognized from our capital markets segment.

Patronage distributions from CoBank remain our primary source of noninterest income. Patronage is accrued in the year earned and received in cash and stock distributions from CoBank in the following year. Patronage earned from CoBank was $9.0 million in 2024, $8.8 million in 2023, and $8.7 million in 2022. This accounted for 65.81% of total noninterest income in 2024, compared to 71.20% in 2023 and 69.90% in 2022.

In addition to CoBank, we receive patronage income from other Farm Credit entities, including loan participation activities with Farm Credit associations and distributions from Farm Credit Foundations, the organization that provides payroll and human resource services to Farm Credit institutions. Patronage from these entities and CoBank are included in Patronage distribution from Farm Credit institutions on the Consolidated Statements of Income.

Noninterest Expense

In 2024, noninterest expense increased $2.1 million, or 7.70%, to $29.1 million, up from $27.0 million in 2023, primarily due to higher salaries and benefits, as well as an increase in information technology expenses. Salaries and employee benefits expense increased primarily due to planned increases in staff, in addition to annual merit increases and related increases in accruals of short-term and long-term incentive compensation programs. The increase in information technology was due to planned increases in service charges from our technology provider coupled with increased software licensing fees. This was partially offset by a decrease in Farm Credit System Insurance Corporation premiums attributable to a rate decrease from 18 bps in 2023 to 10 bps in 2024.

LOAN PORTFOLIO

Total loans outstanding were $1.68 billion at December 31, 2024, an increase of $115.0 million, or 7.36%, from total loans at December 31, 2023 of $1.56 billion. Our loan volume increase was driven by new loan originations along with increased utilization of existing loan commitments primarily in our real estate, agribusiness, and communications segments of the portfolio. The types of loans outstanding are reflected in the following table.

As of December 31	2024	2023	2022
Real estate mortgage	62.16%	61.91%	64.11%
Agribusiness	17.42%	16.52%	15.31%
Production and intermediate-term	15.67%	17.26%	18.67%
Energy	2.08%	2.38%	0.54%
Communications	1.67%	0.83%	0.00%
Lease receivables	1.00%	1.10%	1.37%
Total	100.00%	100.00%	100.00%

Real estate mortgage loans account for 62.16% of total loan volume, which represents an increase of $75.4 million over the previous year. The increase is attributed to new loan originations along with increased utilization on revolving equity lines of credit in the existing portfolio. These long-term mortgage loans are primarily used to purchase, refinance, or improve real estate. These loans have maturities ranging from 5 to 40 years.

The agribusiness segment accounted for 17.42% of our total loan portfolio, which is higher than prior year. The total loan volume in this category increased by $34.0 million as a result of new loan originations along with increased utilization on revolving lines of credit in the existing portfolio. Agribusiness loans are primarily made to finance the throughput of agricultural goods to the marketplace. These loans consist of long-term mortgages on processing facilities and equipment as well as short- and intermediate-term loans and operating lines of credit.

Production and intermediate-term loans account for 15.67% of total loan volume. Volume in this category decreased by $6.9 million as a result of decreased utilization of seasonal lines coupled with increased repayment activity. Production loans are used to finance the timing gaps that exist in the production cycle for agricultural producers, which is typically 12 months. Intermediate-term loans are generally used to finance depreciable capital assets of a farm or ranch. Intermediate-term loans are written for a specific term, 1 to 15 years, with most loans being less than 10 years.

Portfolio Diversification

We provide loans and financially related services to qualified borrowers in agricultural and rural sectors and to certain related entities. We manage this risk of being a single industry lender through strong credit administration and portfolio diversification. Our loan portfolio is diversified to mitigate this risk through utilization of loan participations purchased and sold, as well as diversification in geographic locations served, commodities financed, and loan size, as illustrated in the following four tables.

In order to meet the growing needs of our membership, we maintain strategic relationships that allow for the purchase of loan assets to generate additional earnings and diversify risk related to existing commodities financed and our geographic area served. In addition, we sell a portion of certain large loans to other System entities to manage risk related to individual loan concentrations and comply with regulatory and internal lending limits. We have no loans sold with recourse, retained subordinated participation interests in loans sold, or interests in pools of subordinated participation interests that are held in lieu of retaining a subordinated participation interest in the loans sold.

Total volume in participations purchased and sold as of December 31 follows:

($ in thousands)	2024	2023	2022
Purchased	542,031	487,619	383,467
Sold	(451,281)	(509,819)	(559,915)

We primarily serve Fresno and Madera counties in the state of California. We also make loans outside of our chartered territory in accordance with concurrence agreements with other Farm Credit associations; these loans are included in "Other" in the following table, along with purchased participation volume. The geographic distribution of the loan portfolio by county as of December 31 is as follows:

	2024	2023	2022
Fresno	51.23%	52.47%	50.16%
Madera	16.73%	15.40%	15.04%
Other	32.04%	32.13%	34.80%
Total	100.00%	100.00%	100.00%

As a percentage of the portfolio, loans originated in Fresno County decreased 1.24% while loans originated in Madera County increased 1.33% when compared to prior year. Loans outside of our chartered territory were diversified within geographic locations with no concentration in any one county at or exceeding 10% of total loan volume.

Commodity and industry categories are based on the Standard Industrial Classification System (SIC) published by the federal government. This system is used to assign commodity or industry categories based on the primary business of the customer. A primary business category is assigned when the commodity or industry accounts for 50% or more of the total value of sales for a business; however, a large percentage of agricultural operations typically includes more than one commodity.

The following table shows the primary agricultural commodities produced by our borrowers as of December 31:

	2024	2023	2022
Almonds	31.14%	31.96%	33.51%
Agribusiness	18.93%	18.57%	17.57%
Pistachios	9.10%	9.74%	9.53%
Tree fruit	8.19%	7.33%	8.73%
Wine & table grapes	6.52%	6.30%	6.33%
Raisins	5.12%	5.60%	6.11%
Dairy	3.76%	3.37%	4.59%
Rural infrastructure	3.36%	2.75%	0.54%
Vegetables & melons	2.94%	2.99%	2.99%
Other	10.94%	11.39%	10.10%
Total	100.00%	100.00%	100.00%

Overall, we maintain a well-diversified loan portfolio. Repayment ability of our borrowers is closely related to their debt leverage and to the production and profitability of the commodities they produce. If a loan fails to perform, restructuring and/or other servicing alternatives are influenced by the underlying value of the collateral which is impacted by industry economics. Our future performance may be negatively impacted by adverse agricultural conditions. The degree of the adverse impact would be correlated to the commodities impacted and the magnitude and duration of the adverse agricultural conditions to our borrowers. Our risk in commodity concentrations is reduced by the fact that many of our borrowers are diversified into multiple commodities.

After years of prosperity, almonds, which are the predominant commodity financed by the Association, experienced significant declines in price driven by record crop sizes combined with reduced exports mainly attributed to unfavorable trade tariffs and challenges exporting product overseas due to shipping disruptions at the ports. With prices that were below long-term averages, many borrowers operated at below break-even levels, particularly those located in areas with elevated water costs and/or have high debt service requirements, leading to a deterioration in credit quality. With the recent strengthening of almond prices in 2024, which has been driven by strong product demand and lower carry-in inventory attributed to a below-average 2023 crop, there is renewed optimism that the industry may have reached its lowest point and is now poised for recovery. The anticipation that production will stabilize or decrease as growers make long-term adjustments to align their operations with available water resources further supports a positive outlook of sustained improvement over the coming years, ultimately leading to improved credit quality. Management continues to closely monitor the economics of the industry, and work with borrowers who are experiencing operational challenges.

Agribusiness represents 18.93% of our loan portfolio compared to 18.57% in prior year. The segment is highly diversified between different industries. Generally, the agribusinesses that are doing well are those that have formed alliances directly with the food or fiber retailers and/or wholesalers. They are able to provide flexible customized packages of product or bulk commodities when and where the buyer needs them. Additionally, costs are more controlled due to the economies of scale achieved through increased throughput.

Tree fruit represents 8.19% of our total portfolio, which is a 0.86% increase from prior year. The tree fruit industry can be volatile from year-to-year, with returns to growers showing continued improvement over the past three seasons. Product demand attributed to government support programs and a shift in consumer purchasing have resulted in stronger prices with most of our tree fruit growers reporting preliminary earnings that indicate strong results.

In addition to commodity diversification noted in the previous table, further diversification is also achieved from loans to rural residents and part-time farmers who typically derive most of their earnings from non-agricultural sources. These borrowers are less subject to agricultural cycles and would likely be more affected by weaknesses in the general economy.

Our portfolio is also diversified through loan size. The table below details loan principal by dollar size as of December 31.

	Amount Outstanding		
($ in thousands)	2024	2023	2022
$1 - $250	$ 56,241	$ 55,395	$ 58,108
$251 - $500	101,238	102,161	102,299
$501 - $1,000	181,199	185,690	188,428
$1,001 - $5,000	893,883	825,872	741,883
$5,001 - $25,000	445,222	393,714	362,578
Total	$ 1,677,783	$ 1,562,832	$ 1,453,296

	Number of Loans		
($ in thousands)	2024	2023	2022
$1 - $250	522	534	554
$251 - $500	273	283	281
$501 - $1,000	250	261	262
$1,001 - $5,000	415	387	348
$5,001 - $25,000	54	51	50
Total	1,514	1,516	1,495

The principal balance outstanding at December 31, 2024 for loans $500 thousand and less account for 9.39% of loan volume but 52.51% of the number of loans. Credit risk on small loans, in many instances, may be reduced by non-farm income sources. Loans above $5 million comprise 26.54% of our loan volume and are attributable to 54 loans. Due to their size, financial deterioration or the loss of volume within a combination of large loans may adversely affect the portfolio and our future operating results. As such, we closely monitor all large loans.

Through Federal Agricultural Mortgage Corporation (Farmer Mac), we have reduced the credit risk of certain long-term real estate loans by entering into agreements that provide long-term standby purchase commitments in the event of default. Under this program, we continue to hold the loans in our portfolio, and we pay commitment fees to Farmer Mac for the right to sell a loan designated in these agreements to Farmer Mac in the event the loan becomes significantly delinquent (typically four months past due). If the borrower cures the default, we must repurchase the loan and the commitment remains in place. Farmer Mac long-term standby purchase commitment agreements are further described in Note 3, "Loans and Allowance for Credit Losses." Other than the contractual obligations arising from these business transactions with Farmer Mac, Farmer Mac is not liable for any debt or obligation of ours and we are not liable for any debt or obligation of Farmer Mac. For more information on Farmer Mac, refer to its website at www.farmermac.com. The amount of loans subject to these Farmer Mac credit enhancements was $2.9 million at December 31, 2024, $982 thousand at December 31, 2023, and $4.5 million at December 31, 2022. Included in other operating expenses were fees paid for these Farmer Mac commitments totaling $8 thousand in 2024, $9 thousand in 2023, and $12 thousand in 2022.

In addition, we obtained Federal Guarantees through the Farm Service Agency and State of California Guarantees through Valley Small Business Development Corporation. In the event of default, Federal Guarantees cover a specific percent of principal and interest due on the loan while State Guarantees cover a specific percent of principal and the same percentage of post-default interest (up to ninety days from the default date). The Association had guaranteed volume with government agencies outstanding of $7.8 million at year-end 2024, $9.0 million at year-end 2023, and $8.6 million at year-end 2022.

Credit Commitments

We may participate in financial instruments with off-balance sheet risk to satisfy the financing needs of our borrowers. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in our consolidated financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. We may also participate in standby letters of credit to satisfy the financing needs of our borrowers. These standby letters of credit are irrevocable agreements to guarantee payments of specified financial obligations.

The table below summarizes the maturity distribution of unfunded credit commitments on loans at December 31, 2024.

($ in thousands)	Commitments to Extend Credit	Standby Letters of Credit	Total Commitments
Less than 1 year	$ 201,862	$ 741	$ 202,603
1 – 3 years	171,536	-	171,536
3 – 5 years	108,216	-	108,216
Over 5 years	193,682	-	193,682
Total	$ 675,296	$ 741	$ 676,037

The total commitments do not necessarily represent future cash requirements since many of these commitments are expected to expire without being drawn upon. However, these credit-related financial instruments have off-balance sheet credit risk because their contractual amounts are not reflected on the Consolidated Statements of Condition until funded or drawn upon.

The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and we apply the same credit policies to these commitments. The amount of collateral obtained, as deemed necessary upon extension of credit, is based on our credit evaluation of the borrower. No material losses are anticipated as a result of these credit commitments.

Nonperforming Assets

Nonperforming loans is comprised of nonaccrual loans and accruing loans 90 days or more past due. Nonperforming assets consist of nonperforming loans and other property owned. Nonaccrual loans represent all loans where there is a reasonable doubt as to the collection of principal and/or interest.

Comparative information regarding nonperforming assets in the portfolio as of December 31 follows:

($ in thousands)	2024	2023	2022[1]
Nonaccrual loans:			
Real estate mortgage	$ 3,525	$ 1,156	$ 652
Agribusiness	-	1,104	1,401
Production and intermediate-term	962	36	-
Lease receivables	1,279	69	-
Total nonaccrual loans	5,766	2,365	2,053
Accruing loans 90 days or more past due	2,236	2,635	115
Total nonperforming loans	8,002	5,000	2,168
Other property owned	-	-	-
Total nonperforming assets	$ 8,002	$ 5,000	$ 2,168
Nonaccrual loans as a percentage of total loans	0.34%	0.15%	0.14%
Nonperforming assets as a percentage of total loans	0.48%	0.32%	0.15%
Nonperforming assets as a percentage of total members' equity	2.42%	1.57%	0.70%

[1] *Prior to the adoption of CECL on January 1, 2023, nonperforming assets included accruing restructured loans and were presented with accrued interest receivables.*

Total nonperforming assets increased $3.0 million to $8.0 million as of December 31, 2024 from $5.0 million as of December 31, 2023. Nonperforming assets increased primarily due to the transfer of four loan complexes to nonaccrual status during 2024.

The following table provides additional information on nonaccrual loans as of December 31.

($ in thousands)	2024	2023	2022
Nonaccrual loans current	$ 1,484	$ 1,655	$ 1,758
Nonaccrual loans past due	4,282	710	295
Total nonaccrual loans	$ 5,766	$ 2,365	$ 2,053

Other property owned is real or personal property that has been acquired through foreclosure, deed in lieu of foreclosure, or other means. We had no other property owned at December 31, 2024, 2023, or 2022.

Allowance for Credit Losses

Beginning January 1, 2023, the allowance for credit losses (ACL) represents the estimated current expected credit losses over the remaining contractual life of financial assets measured at amortized cost and certain off-balance sheet credit exposures. The ACL takes into consideration relevant information about past events, current conditions, and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are not unconditionally cancellable. The ACL comprises:

- The allowance for credit losses on loans (ACL on loans), and
- The reserve for unfunded commitments, which is presented on the Consolidated Statements of Condition.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio, considering macroeconomic conditions, forecasts, and other factors prevailing at the time, may result in significant changes in the ACL in those future periods.

The following table provides relevant information regarding the allowance for credit losses as of December 31:

($ in thousands)	2024	2023	2022
Balance at beginning of year	$ 3,038	$ 5,935	$ 7,012
Cumulative effect of a change in accounting principle	-	(1,841)	-
Adjusted balance at beginning of year	3,038	4,094	7,012
Charge-offs:			
Real estate mortgage	56	-	14
Production and intermediate-term	34	116	2
Lease receivables	6	-	-
Total charge-offs	96	116	16
Recoveries:			
Production and intermediate-term	-	-	2
Total recoveries	-	-	2
Net charge-offs	96	116	14
Provision for credit losses (credit loss reversal)	459	(940)	(1,063)
Balance at December 31	$ 3,401	$ 3,038	$ 5,935
Net charge-offs as a percentage of average loans	<0.01%	<0.01%	<0.01%

The following table presents the allowance for credit losses by loan type as of December 31:

($ in thousands)	2024	2023	2022
Real estate mortgage	$ 682	$ 773	$ 423
Agribusiness	1,582	1,712	1,472
Production and intermediate-term	588	353	3,854
Energy	46	68	-
Communications	49	27	-
Lease receivables	454	105	186
Total	$ 3,401	$ 3,038	$ 5,935

The allowance for credit losses increased $363 thousand to $3.4 million as of December 31, 2024 from $3.0 million as of December 31, 2023. The increase to our provision is the result of an increase in loan volume coupled with a slight deterioration of our credit quality.

Comparative allowance for credit losses coverage as a percentage of loans and certain other credit quality indicators as of December 31 are presented in the following table:

	2024	2023	2022[1]
Allowance for credit losses as a percentage of:			
Total loans	0.20%	0.19%	0.41%
Nonaccrual loans	58.98%	128.46%	289.09%
Nonperforming assets	42.50%	60.76%	273.75%

[1] *Prior to the adoption of CECL on January 1, 2023, nonperforming assets included accruing restructured loans and were presented with accrued interest receivables.*

The overall allowance as a percentage of loans has increased to 0.20% at December 31, 2024 compared to 0.19% at December 31, 2023, and 0.41% at December 31, 2022. The Association continues to provide an adequate allowance for credit losses. Further discussion of the allowance can be found in Note 3, "Loans and Allowance for Credit Losses," of the accompanying consolidated financial statements.

We maintain a separate reserve for unfunded commitments, which is included on the Consolidated Statements of Condition. The related provision for the reserve for unfunded commitments is included as part of other noninterest expense on the Consolidated Statements of Income.

CREDIT RISK MANAGEMENT

Credit risk arises from the potential failure of a borrower to meet repayment obligations that result in a financial loss to the lender. Credit risk exists in our loan portfolio and also in our unfunded loan commitments and standby letters of credit. Credit risk is actively managed on an individual and portfolio basis through application of sound lending and underwriting standards, policies, and procedures.

Underwriting standards are developed and utilized to determine an applicant's operational, financial, and managerial resources available for repaying debt within the terms of the note and loan agreement. Underwriting standards include, among other things, an evaluation of:

- character – borrower integrity and credit history;
- capacity – repayment capacity of the borrower based on cash flows from operations or other sources of income;
- collateral – to protect the lender in the event of default and also serve as a secondary source of loan repayment;
- capital – ability of the operation to survive unanticipated risks; and,
- conditions – intended use of the loan funds, terms, restrictions, etc.

Processes for information gathering, balance sheet and income statement verification, loan analysis, credit approvals, disbursements of proceeds, and subsequent loan servicing actions are established and followed. Underwriting standards are updated periodically to reflect market and industry conditions.

By regulation, loan commitments to one borrower cannot be more than 15% of our regulatory capital. To further mitigate loan concentration risks, we have established internal lending limits that are below the regulatory requirements that are based on the risk associated with individual borrowers.

Exposure through loan participations is further limited by parameters based on specific business relationships.

We have established internal lending delegations to properly control the loan approval process. All approvals require a minimum of two voters, with increased voter participation required based on loan size, complexity, type, and risk. Larger and more complex loans or loans perceived to have higher risk are typically approved by our Executive Loan Committee with the most experienced and knowledgeable credit staff serving as members.

The majority of our lending is first mortgage real estate loans which must be secured by a first lien on real estate. Production and intermediate-term lending accounts for most of the remaining volume and is also typically secured by crops, livestock, equipment, and real estate. Collateral evaluations are completed in compliance with FCA and Uniform Standards of Professional Appraisal Practices requirements, with all collateral appraised at market value. All collateral evaluations must be performed by a qualified appraiser, with certain appraisals required to be performed by individuals with a state certification or license.

We use a two-dimensional risk rating model (Model) based on the Farm Credit System's Combined System Risk Rating Guidance. The Model estimates each loan's probability of default (PD) and loss given default (LGD). PD estimates the probability that a borrower will experience a default within twelve months from the date of determination. LGD provides an estimation of the anticipated loss with respect to a specific financial obligation of a borrower assuming a default has occurred or will occur within the next twelve months. The Model uses objective and subjective criteria to identify inherent strengths, weaknesses, and risks in each loan. PDs and LGDs are utilized in loan and portfolio management processes and are used for the allowance for credit losses estimate.

The Model's 14-point probability of default scale provides for nine acceptable categories, one OAEM category, two substandard categories, one doubtful category, and one loss category; each carrying a distinct percentage of default probability. The Model's LGD scale provides 6 categories, A through F, that have the following anticipated principal loss and range of economic loss expectations:

- A 0% anticipated principal loss; 0% to 5% range of economic loss.
- B 0% to 3% anticipated principal loss; >5% to 15% range of economic loss.
- C > 3% to 7% anticipated principal loss; >15% to 20% range of economic loss.
- D > 7% to 15% anticipated principal loss; >20% to 25% range of economic loss.
- E > 15% to 40% anticipated principal loss; >25% to 50% range of economic loss.
- F above 40% anticipated principal loss; above 50% range of economic loss.

We are committed to sound and constructive financing. We believe these standards, processes, and tools allow us to maintain a successful credit administration function. This has allowed us to maintain high credit quality throughout the various economic cycles.

Credit Quality

We review the credit quality of the loan portfolio on an ongoing basis as part of our risk management practices. Each loan is classified according to the Uniform Classification System (UCS), which is used by all Farm Credit System institutions. Below are the classification definitions:

- 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 facts that make collection in full highly questionable.
- Loss – Assets are considered uncollectible.

The following table presents statistics related to credit quality of the loan portfolio at December 31:

	2024	2023	2022[1]
Acceptable	91.86%	94.40%	95.68%
OAEM	2.75%	2.43%	2.96%
Substandard	5.39%	3.17%	1.36%
Total	100.00%	100.00%	100.00%

[1] *Prior to the adoption of CECL on January 1, 2023, loans were presented with accrued interest receivables.*

Overall credit quality remained strong throughout 2024; however, credit quality decreased with loans classified as "Acceptable" and "OAEM" accounting for 94.61% of volume at December 31, 2024 compared to 96.83% at December 31, 2023. The decrease is attributed to net portfolio deterioration in certain segments of the loan portfolio as recent economic conditions have created challenges for some of our borrowers. Loan delinquencies (accruing loans 30 days or more past due) as a percentage of accruing loans were 0.38%, 0.40%, and 0.10% for 2024, 2023, and 2022, respectively.

To ensure the quality of our loan portfolio remains strong, we maintain a safe credit culture with robust underwriting standards. However, agriculture remains a cyclical business that is heavily influenced by production, operating costs, and commodity prices, each of which can be significantly impacted by uncontrollable events. While credit quality has remained strong, less favorable economic conditions have led to softening prices in certain commodities, which is expected to cause tighter operating margins for some of our borrowers. This could lead to some portfolio deterioration and lower credit quality than achieved in recent years. We believe our robust capital position, adequate allowance for credit losses, and effective credit administration will allow us to successfully manage this risk.

LIQUIDITY

Liquidity is necessary to meet our financial obligations. Obligations that require liquidity include paying our note with CoBank, funding loans and other commitments, and funding operations in a cost-effective manner. Our liquidity policy is intended to manage short-term cash flow, maximize debt reduction, and liquidate nonearning assets expeditiously. Our direct loan with CoBank, cash on hand, and loan repayments provide adequate liquidity to fund ongoing operations and other commitments.

Funding Sources

Our primary source of liquidity is the ability to obtain funds for our operations through a borrowing relationship with CoBank. Our note payable to CoBank is collateralized by a pledge to CoBank of substantially all of our assets. Substantially all cash received is applied to the note payable and all cash disbursements are drawn on the note payable. The indebtedness is governed by a General Financing Agreement (GFA) with CoBank that is subject to periodic renewal in accordance with normal business practices. The annual average principal balance of the note payable to CoBank was $1.27 billion in 2024, $1.19 billion in 2023, and $1.10 billion in 2022.

We plan to continue to fund lending operations through the utilization of our funding arrangement with CoBank, retained earnings from current and prior years, and from borrower stock investments. CoBank's primary source of funds is the ability to issue Systemwide Debt Securities to investors through the Federal Farm Credit Banks Funding Corporation (Funding Corporation).

Due to the Funding Corporation's effectiveness, this access has traditionally provided a dependable source of competitively priced debt that is critical for supporting our mission of providing credit to agriculture and rural America. The Association's continued liquidity is directly dependent upon the Farm Credit System's ability to sell debt securities at competitive rates and the Association maintaining a sound financial position and borrowing relationship with CoBank. We anticipate continuation of strong liquidity levels that will be adequate to meet our obligations.

Interest Rate Risk

The interest rate risk inherent in our loan portfolio is substantially mitigated through our funding relationship with CoBank and allows for loans to be match-funded. Borrowings from CoBank match the pricing, maturity, and option characteristics of our loans to borrowers. CoBank manages interest rate risk through the direct loan pricing and its asset/liability management processes. Although CoBank incurs and manages the primary sources of interest rate risk, we may still be exposed to interest rate risk through the impact of interest rate changes on earnings generated from our loanable funds. To stabilize earnings from loanable funds, we have committed portions of our loanable funds at fixed rates through CoBank. These earnings are reflected in net interest income as a reduction to interest expense. This enables us to increase our earnings without significantly increasing our overall interest rate risk position.

CAPITAL RESOURCES

Capital supports asset growth and provides protection for unexpected credit and operating losses. Capital is also needed for investments in new products and services. We believe a sound capital position is critical to our long-term financial success due to the volatility and cyclical nature of agriculture. We have been able to build capital primarily through net income retained after patronage.

Members' equity at December 31, 2024 totaled $331.3 million, compared with $317.9 million at December 31, 2023 and $309.1 million at December 31, 2022. Members' equity includes stock purchased by our members and retained earnings accumulated through net income less patronage distributed to members. Refer to Note 8, "Members' Equity," of the accompanying consolidated financial statements for additional information with respect to our capital and related requirements and restrictions.

Our capital position is reflected in the following ratio comparisons:

	2024	2023	2022
Debt as a ratio to members' equity	4.42:1	4.26:1	4.03:1
Members' equity as a percentage of net loans	19.79%	20.38%	21.35%
Members' equity as a percentage of total assets	18.45%	19.01%	19.90%

Retained Earnings

Our retained earnings increased $13.4 million to $330.6 million at December 31, 2024 from $317.2 million at December 31, 2023. The increase resulted from a net income of $28.0 million. This was partially offset by a $14.6 million patronage distribution declared in December 2024.

Stock

Our total stock and participation certificates decreased $17 thousand to $703 thousand as of December 31, 2024 from $720 thousand at December 31, 2023. We require a $1 thousand stock investment for each borrower.

CAPITAL PLAN AND REGULATORY REQUIREMENTS

Our Board of Directors establishes a formal capital adequacy plan that addresses capital goals in relation to risks. The capital adequacy plan assesses the capital level necessary for financial viability and to provide for growth. Our plan is updated annually and approved by our Board of Directors.

FCA regulations require the plan consider the following factors in determining optimal capital levels, including:

- Regulatory capital requirements;
- Asset quality;
- Needs of our customer base; and
- Other risk-oriented activities, such as funding and interest rate risks, contingent and off-balance sheet liabilities and other conditions warranting additional capital.

As shown in the following table, at December 31, 2024, our capital and leverage ratios exceeded regulatory minimums. If these capital standards are not met, the FCA can impose restrictions, including limiting our ability to pay patronage distributions and retire equities.

	December 31, 2024	Regulatory Minimum	Capital Conservation Buffer	Total
Risk adjusted:				
Common equity tier 1 (CET1) capital ratio	15.25%	4.50%	2.50%	7.00%
Tier 1 capital ratio	15.25%	6.00%	2.50%	8.50%
Total capital ratio	15.44%	8.00%	2.50%	10.50%
Permanent capital ratio	15.28%	7.00%	-	7.00%
Non-risk-adjusted:				
Tier 1 leverage ratio	17.42%	4.00%	1.00%	5.00%
Unallocated retained earnings (URE) and URE equivalents (UREE) leverage ratio	17.38%	1.50%	-	1.50%

As shown in the table above, the Association exceeded the minimum regulatory requirements. The 2024 capital ratios also exceed the minimum targets established by the Board. We do not foresee any future events that would materially impact our capital adequacy in an adverse manner. Due to our strong capital position, we anticipate that we will be able to continue retiring at-risk stock.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are based on accounting principles generally accepted in the United States of America. Our significant accounting policies are critical to the understanding of our results of operations and financial position because some accounting policies require us to make complex or subjective judgments and estimates that may affect the value of certain assets or liabilities. We consider these policies critical because we have to make judgments about matters that are inherently uncertain. For a complete discussion of significant accounting policies, refer to Note 2, "Summary of Significant Accounting Policies," of the accompanying consolidated financial statements. The development and selection of critical policies, and related disclosures, have been reviewed by our Audit Committee.

FORWARD-LOOKING STATEMENTS

Our discussion contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," and "will," or other variations of these terms are intended to identify forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions, and expected future developments. Actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to: political, legal, regulatory and economic conditions, and developments in the United States and abroad; economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors; weather, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income; changes in United States government support of the agricultural industry and/or the Farm Credit System; and, actions taken by the Federal Reserve System in implementing monetary policy.

Report of Independent Auditors

To the Board of Directors of Fresno Madera Farm Credit, ACA

Opinion

We have audited the accompanying consolidated financial statements of Fresno Madera Farm Credit, ACA and its subsidiaries (the "Association"), which comprise the consolidated statements of condition as of December 31, 2024, 2023, and 2022, and the related consolidated statements of income, of changes in members' equity, and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2024, 2023, and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Association changed the manner in which it accounts for the allowance for credit losses in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

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error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the 2024 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

March 14, 2025

CONSOLIDATED STATEMENTS OF CONDITION

Dollars in thousands

	December 31		
	2024	2023	2022
Assets			
Loans	$ 1,677,783	$ 1,562,832	$ 1,453,296
Less: allowance for credit losses	3,401	3,038	5,935
Net loans	1,674,382	1,559,794	1,447,361
Cash	8,172	3,028	11,199
Accrued interest receivable	39,713	39,096	24,724
Investment in CoBank, ACB	42,976	39,788	39,833
Premises and equipment, net	9,269	9,584	9,203
Other assets	21,073	20,934	21,023
Total assets	$ 1,795,585	$ 1,672,224	$ 1,553,343
Liabilities			
Note payable to CoBank, ACB	$ 1,366,117	$ 1,281,119	$ 1,174,098
Funds held	73,533	43,168	43,875
Accrued interest payable	5,065	5,336	3,803
Patronage distributions payable	14,600	19,355	17,094
Reserve for unfunded commitments	159	251	241
Other liabilities	4,824	5,048	5,157
Total liabilities	1,464,298	1,354,277	1,244,268
Commitments and Contingencies (see Note 14)			
Members' equity			
Capital stock and participation certificates	703	720	753
Unallocated retained earnings	330,584	317,227	308,322
Total members' equity	331,287	317,947	309,075
Total liabilities and members' equity	$ 1,795,585	$ 1,672,224	$ 1,553,343

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

CONSOLIDATED STATEMENTS OF INCOME

Dollars in thousands

	For the Year Ended December 31		
	2024	2023	2022
Interest income			
Loans	$ 115,335	$ 104,655	$ 61,401
Interest expense			
Note payable to CoBank, ACB	68,561	61,977	23,570
Funds held	2,894	2,327	517
Total interest expense	71,455	64,304	24,087
Net interest income	43,880	40,351	37,314
Provision for credit losses (credit loss reversal)	459	(940)	(1,063)
Net interest income after provision for credit losses (credit loss reversal)	43,421	41,291	38,377
Noninterest income			
Patronage distribution from Farm Credit institutions	11,838	11,265	10,752
Loan fees	978	747	541
Farm Credit Insurance Fund rebate	444	-	-
Financially related services income	201	163	330
Gain on the sale of premises and equipment	-	-	560
Other noninterest income	165	184	234
Total noninterest income	13,626	12,359	12,417
Noninterest expense			
Salaries and employee benefits	16,520	14,609	13,153
Information technology	6,130	5,291	4,693
Farm Credit Insurance Fund premium	1,223	2,047	2,073
Occupancy and equipment	886	881	753
Supervisory and examination costs	576	520	499
Other noninterest expense	3,753	3,661	3,555
Total noninterest expense	29,088	27,009	24,726
Income before income taxes	27,959	26,641	26,068
Provision for income taxes	2	2	2
Net income	$ 27,957	$ 26,639	$ 26,066

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Dollars in thousands

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Total Members' Equity
Balance at December 31, 2021	$ 760	$ 299,350	$ 300,110
Net income		26,066	26,066
Capital stock and participation certificates issued	55		55
Capital stock and participation certificates retired	(62)		(62)
Patronage distributions: cash		(17,094)	(17,094)
Balance at December 31, 2022	$ 753	$ 308,322	$ 309,075
Cumulative effects from adoption of the CECL standard		1,621	1,621
Balance at January 1, 2023	$ 753	$ 309,943	$ 310,696
Net income		26,639	26,639
Capital stock and participation certificates issued	45		45
Capital stock and participation certificates retired	(78)		(78)
Patronage distributions: cash		(19,355)	(19,355)
Balance at December 31, 2023	$ 720	$ 317,227	$ 317,947
Net income		27,957	27,957
Capital stock and participation certificates issued	38		38
Capital stock and participation certificates retired	(55)		(55)
Patronage distributions: cash		(14,600)	(14,600)
Balance at December 31, 2024	$ 703	$ 330,584	$ 331,287

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in thousands

	For the Year Ended December 31		
	2024	2023	2022
Cash flows from operating activities:			
Net income	$ 27,957	$ 26,639	$ 26,066
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	602	805	765
Provision for credit losses (credit loss reversal)	459	(940)	(1,063)
Stock patronage from CoBank, ACB	(564)	(544)	(479)
Loss (gain) on disposal of premises and equipment	-	3	(560)
Change in assets and liabilities:			
Increase in accrued interest receivable	(617)	(14,372)	(9,646)
(Increase) decrease in other assets	(139)	89	(3,302)
(Decrease) increase in accrued interest payable	(271)	1,533	3,494
Decrease in reserve for unfunded commitments	(92)	(210)	(135)
(Decrease) increase in other liabilities	(224)	(109)	735
Total adjustments	(846)	(13,745)	(10,191)
Net cash provided by operating activities	27,111	12,894	15,875
Cash flows from investing activities:			
Net increase in loans	(115,047)	(109,652)	(101,899)
(Increase) decrease in stock in CoBank, ACB	(2,624)	589	1,522
Proceeds from sale of premises and equipment	-	-	631
Purchase of premises and equipment	(287)	(1,189)	(3,851)
Net cash used in investing activities	(117,958)	(110,252)	(103,597)
Cash flows from financing activities:			
Net draw on note payable to CoBank, ACB	84,998	107,021	115,081
Net increase (decrease) in funds held	30,365	(707)	(3,191)
Capital stock and participation certificates retired	(55)	(78)	(62)
Capital stock and participation certificates issued	38	45	55
Cash patronage distributions paid	(19,355)	(17,094)	(14,121)
Net cash provided by financing activities	95,991	89,187	97,762
Net increase (decrease) in cash	5,144	(8,171)	10,040
Cash at beginning of year	3,028	11,199	1,159
Cash at end of year	$ 8,172	$ 3,028	$ 11,199
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	$ 71,726	$ 62,771	$ 20,593
Income taxes, net of refunds	$ 2	$ 2	$ 2
Supplemental schedule of non-cash financing activities:			
Cash patronage distributions payable	$ 14,600	$ 19,355	$ 17,094

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in thousands, except as noted

1. ORGANIZATION AND OPERATIONS

Organization

Fresno Madera Farm Credit, ACA and its wholly-owned subsidiaries, Fresno Madera Federal Land Bank Association, FLCA (FLCA) and Fresno Madera Production Credit Association (PCA) (collectively called the Association), are member-owned cooperatives which provide credit and credit-related services to or for the benefit of eligible borrowers/members for qualified agricultural purposes in the counties of Fresno and Madera in the state of California.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations, which was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (the Farm Credit Act).

At December 31, 2024, the System was comprised of three Farm Credit Banks (FCBs), one Agricultural Credit Bank (ACB), and 55 associations.

CoBank, ACB (funding bank or the Bank), its related associations (including Fresno Madera Farm Credit, ACA), and AgVantis, Inc. (AgVantis) are collectively referred to as the District. CoBank provides the funding to associations within the District and is responsible for supervising certain activities of the District associations. AgVantis, which is owned by the entities it serves, provides technology and other operational services to certain associations. The CoBank District consists of CoBank, 16 Agricultural Credit Associations (ACA), which each have two wholly-owned subsidiaries, a FLCA and a PCA, and AgVantis.

ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. Generally, the FLCA makes secured long-term agricultural real estate and rural home mortgage loans and the PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of System associations to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

The Farm Credit Act established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on System-wide debt obligations (Insured Debt), (2) to ensure the retirement of protected stock at par or stated value, and (3) for other specified purposes. The Insurance Fund is also available for discretionary use by the Insurance Corporation to provide assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. Each System Bank is required to pay premiums, which may be passed on to the association, into the Insurance Fund based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the “secure base amount,” which is defined in the Farm Credit Act as 2.0% of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or such other percentage of the aggregate obligations as the Insurance Corporation, in its sole discretion, determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums as necessary to maintain the Insurance Fund at the 2.0% level. As required by the Farm Credit Act, as amended, the Insurance Corporation may return excess funds above the secure base amount to System institutions.

Operations

The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow, and financial services which can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments, and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related businesses.

The Association serves as an intermediary in offering related services to its borrowers, such as credit life insurance and multi-peril crop insurance and providing additional services to borrowers such as funds held accounts, lease placement, and appraisal services.

In addition, the Farm Credit Council acts as a full-service federated trade association, which represents the System before Congress, the Executive Branch, and others, and provides support services to System institutions on a fee basis.

Upon request, stockholders of the Association will be provided with a CoBank Annual Report to Stockholders, which includes the combined financial statements of the Bank and its related associations. The Association's financial condition may be impacted by factors that affect the Bank. The CoBank Annual Report discusses the material aspects of the District's financial condition, changes in financial condition, and results of operations. In addition, the CoBank Annual Report identifies favorable and unfavorable trends, significant events, uncertainties, and the impact of activities of the Insurance Corporation.

The CoBank Annual Report is available free of charge on CoBank's website, www.cobank.com; or may be obtained at no charge by contacting the Association at 4635 West Spruce, P.O. Box 13069, Fresno, California 93794-3069 or by calling (559) 277-7000. Upon request, Association members will be provided with a copy of the CoBank Annual Report. The CoBank Annual Report discusses the material aspects of the Bank's and District's financial condition, changes in financial condition, and results of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Association conform to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires Association management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements. Actual results may differ from these estimates. Significant estimates are discussed in these footnotes, as applicable.

The consolidated financial statements include the accounts of Fresno Madera Farm Credit, ACA and its wholly-owned subsidiaries, Fresno Madera FLCA and Fresno Madera PCA. All significant inter-company transactions have been eliminated in consolidation.

Recently Issued Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The enhanced rate reconciliation will require tabular reporting by amount and percentage for specifically defined reconciling items as well as additional information for reconciling items that meet a quantitative threshold of greater than five percent of the amount computed by multiplying pre-tax income by the applicable statutory income tax rate. Income taxes paid will require disaggregated disclosure by federal, state and foreign jurisdictions for amounts exceeding a quantitative threshold of greater than five percent of total income taxes paid. The guidance will also eliminate the requirement to disclose an estimate of the range of the reasonably possible change in the unrecognized tax benefits balances in the next 12 months. The amendments in this guidance are effective for public business entities for annual periods beginning after December 15, 2024, and should be applied on a prospective basis, although retrospective application is permitted. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. The adoption of this guidance is not expected to have a material impact on the Association's financial condition, results of operations, or cash flows, but will impact the income tax disclosures.

In November 2024, the FASB issued ASU 2024-03 Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures: Disaggregation of Income Statement Expenses. The amendments in this ASU apply to all public business entities, and require disclosure, in the notes to financial statements, of specified information about certain costs and expenses. The amendments require that at each interim and annual reporting period an entity:

- Disclose the amounts of (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and (e) depreciation, depletion, and amortization recognized as part of oil and gas-producing activities (DD&A) (or other amounts of depletion expense) included in each relevant expense caption. A relevant expense caption is an expense caption presented on the face of the income statement within continuing operations that contains any of the expense categories listed in (a)–(e).
- Include certain amounts that are already required to be disclosed under current generally accepted accounting principles (GAAP) in the same disclosure as the other disaggregation requirements.
- Disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively.
- Disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of selling expenses.

The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments should be applied either (1) prospectively to financial statements issued for reporting periods after the effective date of this ASU or (2) retrospectively to any or all prior periods presented in the financial statements. The Association is currently assessing the potential impact of this standard on its disclosures.

Investments

The Association may hold investments in accordance with investment programs approved by the Farm Credit Administration. These programs allow the Association to make investments that further the mission to support rural America.

Loans and Allowance for Credit Losses

Long-term real estate mortgage loans generally have original maturities ranging from 5 to 40 years. Substantially all short- and intermediate-term loans made for agricultural production or operating purposes have maturities of 10 years or less. Loans are generally carried at their principal amount outstanding adjusted for charge-offs and deferred loan fees or costs. Loan origination fees and direct loan origination costs are netted and capitalized, and the net fee or cost is amortized over the average life of the related loan as an adjustment to interest income. Loan prepayment fees are reported in interest income. Interest on loans is accrued and credited to interest income based on the daily principal amount outstanding.

Nonaccrual Loans

Nonaccrual loans are loans for which there is reasonable doubt that all principal and interest will be collected according to the original contractual terms and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. A loan is considered contractually past due when any principal repayment or interest payment required by the loan contract is not received on or before the due date. A loan shall remain contractually past due until it is modified or until the entire amount past due, including principal, accrued interest, and penalty interest incurred as the result of past due status, is collected, or otherwise discharged in full.

Consistent with prior practice, loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection), circumstances indicate that collection of principal and interest is in doubt, or legal action, including foreclosure or other forms of collateral conveyance, has been initiated to collect the outstanding principal and interest. At the time a loan is placed in nonaccrual status, accrued interest that is considered uncollectible is reversed (if accrued in the current year) or charged against the allowance for credit losses (if accrued in prior years). Loans are charged-off at the time they are determined to be uncollectible.

When loans are in nonaccrual status, interest payments received in cash are generally recognized as interest income if the collectability of the loan principal is fully expected and certain other criteria are met. Otherwise, payments received on nonaccrual loans are applied against the recorded investment in the loan asset. Nonaccrual loans are returned to accrual status if all contractual principal and interest is current, the borrower is fully expected to fulfill the contractual repayments terms and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer is first applied against accrued interest receivable and then the remainder is recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

Accrued Interest Receivable

The Association elected to continue classifying accrued interest on loans in accrued interest receivable and not as part of loans on the Consolidated Statements of Condition. The Association also elected to not estimate an allowance on interest receivable balances because the nonaccrual policies in place provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected. The presentation of accrued interest receivable in the footnotes may differ from prior periods due to the adoption of the CECL guidance.

Loan Modifications to Borrowers Experiencing Financial Difficulty

Loan modifications may be granted to borrowers experiencing financial difficulty. Modifications can be in the form of one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant payment delay or a term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

Collateral Dependent Loans

Collateral dependent loans are loans secured by collateral, including but not limited to agricultural real estate, crop inventory, equipment, and livestock. An entity is required to measure the current expected credit losses (CECL) of a collateral dependent loan based on fair value of the collateral at the reporting date when the entity determines that foreclosure is probable. Additionally, CECL allows a fair value practical expedient as a measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulties. Under the practical expedient measurement approach, the expected credit losses is based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

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

Allowance for Credit Losses (ACL)

Beginning January 1, 2023, the allowance for credit losses (ACL) represents the estimated current expected credit losses over the remaining contractual life of financial assets measured at amortized cost and certain off-balance sheet credit exposures. The ACL takes into consideration relevant information about past events, current conditions, and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are not unconditionally cancellable. The ACL comprises:

- the allowance for credit losses on loans (ACL on loans), and
- the reserve for unfunded commitments, which is presented on the Consolidated Statements of Condition.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio, considering macroeconomic conditions, forecasts, and other factors prevailing at the time, may result in significant changes in the ACL in those future periods.

Methodology for Allowance for Credit Losses on Loans

The ACL on loans represents management's estimate of credit losses over the remaining expected life of loans. The Association employs a disciplined process and methodology to establish its ACL on loans that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics. These estimates explicitly exclude any loan extensions or renewals that are unconditionally cancellable.

Asset-specific loans are generally collateral dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. If the calculated expected credit loss is determined to be permanent, fixed or non-recoverable, the credit loss portion of the loan will be charged off against the allowance for credit losses.

In estimating the component of the ACL on loans that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating or delinquency buckets using historical life-of-loan analysis periods for loan types, and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool. The life of the loan for closed-ended products is based on the contractual maturity of the loan adjusted for any expected prepayments. For open-ended products (e.g., lines of credit), the ACL on loans is determined based on the maximum repayment term associated with future draws from credit lines unless those lines of credit are unconditionally cancellable in which case the Association does not record any allowance.

The components of the ACL on loans that share common risk characteristics also consider factors for each loan pool to adjust for differences between the historical period used to calculate historical default and loss severity rates and expected conditions over the remaining lives of the loans in the portfolio related to:

- lending policies and procedures;
- national, regional, and local economic business conditions and developments that affect the collectability of the portfolio, including the condition of various markets;
- the nature of the loan portfolio, including the terms of the loans;
- the experience, ability, and depth of the lending management and other relevant staff;
- the volume and severity of past due and adversely classified or graded loans and the volume of nonaccrual loans;

- the quality of the loan review and process;
- the value of underlying collateral for collateral-dependent loans;
- the existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- the effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio.

The determination of the ACL on loans is based on numerous estimates and assumptions, which require a high degree of judgment and are often interrelated. A critical judgment in the process is the weighting of our forward-looking macroeconomic scenarios that are incorporated into our quantitative models. As any one economic outlook is inherently uncertain, the Association leverages multiple scenarios over reasonable and supportable forecast period of 3 years. Subsequent to the forecast period, the Association reverts to long run historical loss experience beyond the 3 years on a straight-line to inform the estimate of losses for the remaining contractual life of the loan portfolio. There are multiple variables that drive the macroeconomic scenarios with the key variables including, but not limited to, unemployment rates, gross domestic product levels, and corporate bond spreads. The scenarios that are chosen each quarter and the weighting given to each scenario depend on a variety of factors including recent economic events, leading economic indicators, views of management and fourth-party economists and industry trends.

In addition to the quantitative calculation, the Association considers the imprecision inherent in the process and methodology. Qualitative reserves cover losses that are expected but, in the Association's assessment, may not be adequately reflected in the quantitative methods or the economic assumptions.

Prior to January 1, 2023, the ACL on loans was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors are considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition, and prior loan loss experience. The ACL on loans encompassed various judgments, evaluations, and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations, and appraisals to change over time. Management considered a number of factors in determining and supporting the levels of the ACL on loans, which include, but are not limited to, the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects, and weather-related influences.

Reserve for Credit Losses on Unfunded Commitments

The Association evaluates the need for a reserve for credit losses on unfunded commitments under CECL and, if required, an amount is recognized and included in liabilities on the Consolidated Statements of Condition. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the Association and applying the loss factors used in the ACL on loans methodology to the results of the usage calculation. No reserve for credit losses is recorded for commitments that are unconditionally cancellable.

Cash

Cash, as included in the Consolidated Statements of Condition, represents cash on hand and on deposit at financial institutions. At times, cash deposits may be in excess of federally insured limits.

Investment in CoBank

The Association's required investment in CoBank is in the form of Class A Stock. The minimum required investment is 3.00 percent of the prior one-year average of direct loan volume. The investment in CoBank is comprised of patronage-based stock and purchased stock.

Premises and Equipment

Land is carried at cost and premises and equipment are carried at cost less accumulated depreciation. We capitalize software meeting certain criteria and carry these assets at cost less accumulated amortization. Depreciation and amortization are determined principally by the straight-line method over the estimated useful lives of the assets. Estimated useful lives for buildings are 40 years and range from 3 to 7 years for furniture, equipment, and automobiles. Estimated useful life for software ranges from 3 to 5 years. Gains and losses on dispositions are reflected in current operating results. Maintenance and repairs are expensed, and improvements above certain thresholds are capitalized. Fixed assets under construction represent construction in progress and are recorded in a similarly named account. They remain in such an account until the assets are put in service, at which time the costs of these assets are transferred into their respective premises and equipment accounts to be depreciated.

The Association purchases certain software to enhance or perform internal business functions. Software development costs, as well as costs for software that is part of a cloud computing arrangement incurred in the preliminary and post-implementation project stages are charged to noninterest expense. Costs associated with designing software configuration, installation, coding programs, and testing systems are capitalized and amortized using the straight-line method over 3 to 5 years. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.

Other Assets and Other Liabilities

Other assets are comprised primarily of accounts receivable, prepaid expenses, and equity investments. Equity investments classified within other assets primarily includes the Association's limited partnership in Rural Business Investment Companies (RBICs), investment in the Farm Credit System Association Captive Insurance Corporation, and investments in Farm Credit institutions other than CoBank. Other liabilities primarily include Insurance Fund premiums payable, accounts payable, and employee benefits.

Funds Held

The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. Amounts received are recorded in the Consolidated Statements of Condition as interest-bearing liabilities. Borrowers generally have unrestricted access to these amounts. Funds Held accounts are not insured. Interest is generally paid by the Association on Funds Held accounts.

Employee Benefit Plans

Substantially all employees of the Association participate in the Eleventh District Defined Benefit Retirement Plan (Defined Benefit Plan) and/or the Farm Credit Foundations Defined Contribution/401(k) Plan (Defined Contribution Plan).

The Defined Benefit Plan is a noncontributory multi-employer defined benefit retirement plan. Benefits are based on compensation and years of service. The Association recognizes its proportional share of expense and contributes its proportional share of funding. The Defined Benefit Plan was closed to employees hired after December 31, 1997.

The Defined Contribution Plan has two components. Employees who do not participate in the Defined Benefit Plan may receive benefits through the Employer Contribution portion of the Defined Contribution Plan. In this plan, the Association provides a monthly contribution based on a defined percentage of the employee's salary. Employees may also participate in a Salary Deferral Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions.

Employees hired on or after January 1, 1998 are eligible to participate only in the Defined Contribution Plan and Salary Deferral Plan. All defined contribution costs are expensed in the same period that participants earn employer contributions.

The Association also provides certain health and life insurance benefits to eligible current and retired employees through the Farm Credit Foundations Retiree Medical and Retiree Life Plans. Substantially all employees may become eligible for those benefits if they reach normal retirement age while working for the Association. The anticipated costs of these benefits are accrued during the period of the employee's active service. The authoritative accounting guidance requires the accrual of the expected cost of providing postretirement benefits during the years that the employee renders service necessary to become eligible for these benefits.

Further discussion of the Employee Benefit Plans can be found in Note 11, "Employee Benefit Plans."

Patronage Distribution from CoBank

Patronage distributions from CoBank are accrued by the Association in the year earned.

Income Taxes

As previously described, the ACA holding company conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are operated through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through a wholly-owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income taxes. The Association accounts for income taxes under the liability method. Accordingly, deferred taxes are recognized for estimated taxes ultimately payable or recoverable based on federal, state, or local laws. The Association classifies interest and penalties as a component of the provision for income taxes.

The Association elected to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock, or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage distributions.

Deferred taxes are recorded on the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the Association and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, the deferred tax assets will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association’s expected patronage program, which reduces taxable earnings.

For California tax purposes, the Association can exclude from taxable income all patronage sourced income. Therefore, the provision for state income taxes is made only on non-patronage sourced earnings.

Advertising Costs

The Association expenses advertising costs as they are incurred. For the years ended December 31, 2024, 2023, and 2022, advertising costs included in other noninterest expense were $41 thousand, $45 thousand, and $94 thousand, respectively.

Fair Value Measurement

Accounting guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current, or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks, and default rates and (d) inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Unobservable inputs are those that are supported by little or no market activity and that are significant to the determination of the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity’s own assumptions about factors that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. Level 3 assets include certain impaired loans and loans acquired in an acquisition or merger and other property owned. The fair value disclosures are reported in Note 15, “Fair Value Measurements.”

Off-Balance Sheet Credit Exposures

Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management’s assessment of the customer’s creditworthiness.

We maintain a reserve for unfunded commitments at a level that, in the opinion of management, is adequate to absorb probable losses associated with the Association’s commitment to lend funds under these agreements. The reserve is based on a periodic evaluation of the loan portfolio, which considers relevant information about past events, current conditions, and reasonable and supportable macroeconomic forecasts of future conditions. These estimates are evaluated regularly to determine if any necessary increases or decreases to the reserve are warranted, and changes in the reserve are reflected in the provision for unfunded commitments and included in noninterest expense on the Consolidated Statements of Income. Further discussion of the reserve for unfunded commitments can be found in Note 14, “Commitments and Contingencies.”

Dollars in thousands, except as noted

3. LOANS AND ALLOWANCE FOR CREDIT LOSSES

A summary of loans follows:

As of December 31	2024	2023	2022
Real estate mortgage	$ 1,042,878	$ 967,491	$ 931,702
Agribusiness	292,212	258,195	222,568
Production and intermediate-term	262,864	269,728	271,268
Energy	34,869	37,240	7,830
Communications	28,227	12,949	-
Lease receivables	16,733	17,229	19,928
Total	$ 1,677,783	$ 1,562,832	$ 1,453,296

Unamortized deferred loan fees and costs totaled $2.8 million, $3.0 million, and $3.4 million as of December 31, 2024, 2023, and 2022, respectively.

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 tables present information on loan participations as of December 31, 2024, 2023 and 2022:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
December 31, 2024	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 191,783	$ 251,746	$ -	$ -	$ 191,783	$ 251,746
Agribusiness	252,726	77,658	2,954	-	255,680	77,658
Production and intermediate-term	14,748	121,877	-	-	14,748	121,877
Energy	34,869	-	-	-	34,869	-
Communications	28,227	-	-	-	28,227	-
Lease receivables	16,724	-	-	-	16,724	-
Total	$ 539,077	$ 451,281	$ 2,954	$ -	$ 542,031	$ 451,281

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
December 31, 2023	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 173,408	$ 241,994	$ -	$ -	$ 173,408	$ 241,994
Agribusiness	224,206	84,648	4,196	-	228,402	84,648
Production and intermediate-term	19,294	183,177	-	-	19,294	183,177
Energy	37,240	-	-	-	37,240	-
Communications	12,949	-	-	-	12,949	-
Lease receivables	16,326	-	-	-	16,326	-
Total	$ 483,423	$ 509,819	$ 4,196	$ -	$ 487,619	$ 509,819

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
December 31, 2022	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 157,039	$ 249,583	$ -	$ -	$ 157,039	$ 249,583
Agribusiness	171,977	95,733	4,746	-	176,723	95,733
Production and intermediate-term	21,948	214,599	-	-	21,948	214,599
Energy	7,830	-	-	-	7,830	-
Lease receivables	19,927	-	-	-	19,927	-
Total	$ 378,721	$ 559,915	$ 4,746	$ -	$ 383,467	$ 559,915

Credit Quality

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in our outstanding loans, letters of credit, and unfunded loan commitments. The Association manages credit risk associated with the retail lending activities through an analysis of the credit risk profile of an individual borrower using its own set of underwriting standards and lending policies, approved by its board of directors, which provides direction to its loan officers. The retail credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, financial position, and collateral, which includes an analysis of credit scores for smaller loans. Repayment capacity focuses on the borrower's ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income. Real estate mortgage loans must be secured by first liens on the real estate (collateral). As required by Farm Credit Administration regulations, each association that makes loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85% of the original appraised value of the property taken as security or up to 97% of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

The Association uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is the probability that a borrower will experience a default during the life of the loan. The loss given default is management's estimate as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship. The Association reviews, at least on an annual basis, or when a credit action is taken the probability of default category.

Each of the probability of default categories carries a distinct percentage of default probability. The probability of default rate between one and nine of the acceptable categories is very narrow and would reflect almost no default to a minimal default percentage. The probability of default rate grows more rapidly as a loan moves from acceptable to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain. These categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality,
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness,
- Substandard – assets exhibit some serious weakness in repayment capacity, equity, 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 presents credit quality indicators by loan type and the related principal balance as of December 31, 2024:

	Term Loans Amortized Cost by Origination Year							
($ in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Real estate mortgage								
Acceptable	$ 66,698	$ 77,132	$ 108,245	$ 150,213	$ 94,426	$ 246,242	$ 226,881	$ 969,837
OAEM	786	423	5,257	4,495	3,994	10,538	806	26,299
Substandard	3,318	8	14,322	-	6,336	20,354	2,404	46,742
Total	70,802	77,563	127,824	154,708	104,756	277,134	230,091	1,042,878
Current period gross charge-offs	-	-	55	-	-	-	-	55
Agribusiness								
Acceptable	34,014	30,905	33,671	24,550	5,302	54,258	99,144	281,844
OAEM	-	-	-	-	-	-	3,429	3,429
Substandard	-	919	3,002	742	-	2,276	-	6,939
Total	34,014	31,824	36,673	25,292	5,302	56,534	102,573	292,212
Production and intermediate-term								
Acceptable	16,269	6,328	1,459	3,171	1,589	6,701	179,121	214,638
OAEM	3,632	660	-	255	499	1,032	10,288	16,366
Substandard	29,724	446	11	-	-	-	1,679	31,860
Total	49,625	7,434	1,470	3,426	2,088	7,733	191,088	262,864
Current period gross charge-offs	-	35	-	-	-	-	-	35
Energy								
Acceptable	-	13,546	12,394	-	-	-	8,929	34,869
Total	-	13,546	12,394	-	-	-	8,929	34,869
Communications								
Acceptable	14,392	8,931	-	4,902	-	-	2	28,227
Total	14,392	8,931	-	4,902	-	-	2	28,227
Lease receivables								
Acceptable	307	1,100	4,332	709	95	5,171	-	11,714
OAEM	-	-	-	-	-	46	-	46
Substandard	3,082	-	1,105	65	60	661	-	4,973
Total	3,389	1,100	5,437	774	155	5,878	-	16,733
Current period gross charge-offs	-	-	-	1	-	5	-	6
Total loans	$ 172,222	$ 140,398	$ 183,798	$ 189,102	$ 112,301	$ 347,279	$ 532,683	$ 1,677,783
Total current period gross charge-offs	$ -	$ 35	$ 55	$ 1	$ -	$ 5	$ -	$ 96

The following table presents credit quality indicators by loan type and the related principal balance as of December 31, 2023:

	Term Loans Amortized Cost by Origination Year							
($ in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Real estate mortgage								
Acceptable	$ 78,921	$ 121,937	$ 171,712	$ 98,755	$ 68,423	$ 197,756	$ 179,764	$ 917,268
OAEM	-	2,841	-	6,540	2,076	12,266	2,022	25,745
Substandard	2	7,675	-	-	1,685	13,873	1,243	24,478
Total	78,923	132,453	171,712	105,295	72,184	223,895	183,029	967,491
Agribusiness								
Acceptable	32,569	35,495	24,727	6,192	7,397	51,895	86,980	245,255
Substandard	20	3,374	824	-	378	3,251	5,093	12,940
Total	32,589	38,869	25,551	6,192	7,775	55,146	92,073	258,195
Production and intermediate-term								
Acceptable	19,357	5,744	8,933	2,369	10,528	1,173	197,399	245,503
OAEM	2,681	-	-	93	1,319	-	8,089	12,182
Substandard	9,622	2,398	-	-	-	23	-	12,043
Total	31,660	8,142	8,933	2,462	11,847	1,196	205,488	269,728
Current period gross charge-offs	-	-	-	116	-	-	-	116
Energy								
Acceptable	15,542	12,514	-	-	-	-	9,184	37,240
Total	15,542	12,514	-	-	-	-	9,184	37,240
Communications								
Acceptable	6,744	-	4,953	-	-	-	1,252	12,949
Total	6,744	-	4,953	-	-	-	1,252	12,949
Lease receivables								
Acceptable	1,167	5,948	1,047	14	817	8,015	-	17,008
OAEM	-	-	-	-	-	61	-	61
Substandard	-	-	-	160	-	-	-	160
Total	1,167	5,948	1,047	174	817	8,076	-	17,229
Total loans	$ 166,625	$ 197,926	$ 212,196	$ 114,123	$ 92,623	$ 288,313	$ 491,026	$ 1,562,832
Total current period gross charge-offs	$ -	$ -	$ -	$ 116	$ -	$ -	$ -	$ 116

Dollars in thousands, except as noted

The following table shows loans under the Farm Credit Administration Uniform Classification System as a percentage of total loans by loan type as of December 31, 2024, 2023, and 2022:

December 31, 2024	Acceptable	OAEM	Substandard	Total
Real estate mortgage	93.00%	2.52%	4.48%	100.00%
Agribusiness	96.46%	1.17%	2.37%	100.00%
Production and intermediate-term	81.65%	6.23%	12.12%	100.00%
Energy	100.00%	0.00%	0.00%	100.00%
Communications	100.00%	0.00%	0.00%	100.00%
Lease receivables	70.01%	0.27%	29.72%	100.00%
Total loans	91.86%	2.75%	5.39%	100.00%

December 31, 2023	Acceptable	OAEM	Substandard	Total
Real estate mortgage	94.81%	2.66%	2.53%	100.00%
Agribusiness	94.99%	0.00%	5.01%	100.00%
Production and intermediate-term	91.02%	4.52%	4.46%	100.00%
Energy	100.00%	0.00%	0.00%	100.00%
Communications	100.00%	0.00%	0.00%	100.00%
Lease receivables	98.72%	0.35%	0.93%	100.00%
Total loans	94.40%	2.43%	3.17%	100.00%

December 31, 2022[1]	Acceptable	OAEM	Substandard	Total
Real estate mortgage	96.21%	2.62%	1.17%	100.00%
Agribusiness	99.37%	0.00%	0.63%	100.00%
Production and intermediate-term	90.40%	6.88%	2.72%	100.00%
Energy	100.00%	0.00%	0.00%	100.00%
Lease receivables	100.00%	0.00%	0.00%	100.00%
Total loans	95.68%	2.96%	1.36%	100.00%

[1] *Prior to the adoption of CECL on January 1, 2023, loans were presented with accrued interest receivables.*

A substantial portion of the Association's loans are collateralized. Accordingly, the Association's exposure to credit loss associated with lending activities is considerably less than the recorded loan balances. An estimate of the Association's current loss exposure is indicated in the Consolidated Statements of Condition in the allowance for credit losses.

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are secured by first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (97 percent if guaranteed or enhanced by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in the loan to value ratios in excess of the regulatory maximum.

Nonperforming assets (which consist of nonaccrual loans, accruing loans 90 days or more past due and other property owned) and related credit quality statistics are as follows:

($ in thousands)	2024	2023	2022[1]
Nonaccrual loans:			
Real estate mortgage	$ 3,525	$ 1,156	$ 652
Agribusiness	-	1,104	1,401
Production and intermediate-term	962	36	-
Lease receivables	1,279	69	-
Total nonaccrual loans	5,766	2,365	2,053
Accruing loans 90 days or more past due	2,236	2,635	115
Total nonperforming loans	8,002	5,000	2,168
Other property owned	-	-	-
Total nonperforming assets	$ 8,002	$ 5,000	$ 2,168
Nonaccrual loans as a percentage of total loans	0.34%	0.15%	0.14%
Nonperforming assets as a percentage of total loans	0.48%	0.32%	0.15%
Nonperforming assets as a percentage of total members' equity	2.42%	1.57%	0.70%

[1] Prior to the adoption of CECL on January 1, 2023, nonperforming assets included accruing restructured loans and were presented with accrued interest receivables.

The following tables provide the amortized cost for nonaccrual loans with and without a related allowance for credit losses, as well as interest income recognized on nonaccrual during the period ended December 31, 2024 and 2023:

	December 31, 2024			Interest Income Recognized
($ in thousands)	Amortized Cost with Related Allowance	Amortized Cost without Related Allowance	Total	For the Year Ended December 31, 2024
Nonaccrual loans:				
Real estate mortgage	$ -	$ 3,525	$ 3,525	$ 126
Production and intermediate-term	11	951	962	-
Lease receivables	-	1,279	1,279	-
Total nonaccrual loans	$ 11	$ 5,755	$ 5,766	$ 126

	December 31, 2023			Interest Income Recognized
($ in thousands)	Amortized Cost with Related Allowance	Amortized Cost without Related Allowance	Total	For the Year Ended December 31, 2023
Nonaccrual loans:				
Real estate mortgage	$ -	$ 1,156	$ 1,156	$ -
Agribusiness	-	1,104	1,104	-
Production and intermediate-term	12	24	36	-
Lease receivables	-	69	69	-
Total nonaccrual loans	$ 12	$ 2,353	$ 2,365	$ -

Dollars in thousands, except as noted

Accrued interest receivable on loans of $39.7 million and $39.1 million at December 31, 2024 and 2023, respectively, have been excluded from the amortized cost of loans and reported separately in the Consolidated Statements of Condition. The Association wrote off accrued interest receivable of $317 thousand during 2024.

The following tables provide an aging analysis of past due loans (excluding accrued interest) at amortized cost by portfolio segment as of December 31, 2024 and 2023:

December 31, 2024	Current Loans	30-89 Days Past Due	90 Days or More Past Due	Total Loans Outstanding	Accrual Loans 90 Days or More Past Due
Real estate mortgage	$ 1,037,744	$ 8	$ 5,126	$ 1,042,878	$ 1,806
Agribusiness	292,212	-	-	292,212	-
Production and intermediate-term	257,695	4,059	1,110	262,864	430
Energy	34,869	-	-	34,869	-
Communications	28,227	-	-	28,227	-
Lease receivables	16,372	361	-	16,733	-
Total	$ 1,667,119	$ 4,428	$ 6,236	$ 1,677,783	$ 2,236

December 31, 2023	Current Loans	30-89 Days Past Due	90 Days or More Past Due	Total Loans Outstanding	Accrual Loans 90 Days or More Past Due
Real estate mortgage	$ 963,425	$ 1,294	$ 2,772	$ 967,491	$ 2,168
Agribusiness	258,195	-	-	258,195	-
Production and intermediate-term	266,943	2,282	503	269,728	467
Energy	37,240	-	-	37,240	-
Communications	12,949	-	-	12,949	-
Lease receivables	17,099	130	-	17,229	-
Total	$ 1,555,851	$ 3,706	$ 3,275	$ 1,562,832	$ 2,635

The following table provides an aging analysis of past due loans (including accrued interest) as of December 31, 2022:

December 31, 2022	Current Loans	30-89 Days Past Due	90 Days or More Past Due	Total Loans Outstanding	Accrual Loans 90 Days or More Past Due
Real estate mortgage	$ 950,467	$ 949	$ 295	$ 951,711	$ -
Agribusiness	223,611	-	-	223,611	-
Production and intermediate-term	274,502	43	115	274,660	115
Energy	7,863	-	-	7,863	-
Lease receivables	19,751	424	-	20,175	-
Total	$ 1,476,194	$ 1,416	$ 410	$ 1,478,020	$ 115

Loan Modifications to Borrowers Experiencing Financial Difficulties

Upon the adoption of the guidance, Financial Instruments - Credit Losses, Troubled Debt Restructurings and Vintage Disclosure, creditors are required to disclose specific modifications with borrowers that are experiencing financial difficulty.

The following table shows the amortized cost basis at the end of the reporting period for loan modifications granted to borrowers experiencing financial difficulty during 2024, disaggregated by loan type and type of modification granted.

	For the Year Ended December 31, 2024			
($ in thousands)	Term Extension	Payment Extension	Total	Modification as a Percentage of Loan Type
Real estate mortgage	$ -	$ 14,364	$ 14,364	1.38%
Agribusiness	1,610	-	1,610	0.55%
Total	$ 1,610	$ 14,364	$ 15,974	0.95%

The Association had no loan modifications to disclose for the year ended December 31, 2023.

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty during 2024 and 2023 was $306 thousand at December 31, 2024 and $0 at December 31, 2023.

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during 2024 and 2023.

	For the Year Ended December 31, 2024		For the Year Ended December 31, 2023	
	Weighted Average Term Extension (in months)	Weighted Average Payment Extension (in months)	Weighted Average Term Extension (in months)	Weighted Average Payment Extension (in months)
Real estate mortgage	-	12	-	-
Agribusiness	12	-	-	-

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified on or after January 1, 2024 through December 31, 2024:

	Payment Status of Loans Modified in the Past 12 Months		
($ in thousands)	Current	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	$ 14,364	$ -	$ -
Agribusiness	1,610	-	-
Total	$ 15,974	$ -	$ -

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified were $2.4 million and $0 at December 31, 2024 and 2023, respectively.

Troubled Debt Restructurings

Prior to the adoption of the updated FASB guidance on loan modifications on January 1, 2023, a restructuring of a loan constituted a troubled debt restructuring, also known as formally restructured, if the creditor for economic or legal reasons related to the borrower's financial difficulties granted a concession to the borrower that it would not otherwise consider. The Association recorded no troubled debt restructurings during 2022.

Credit Quality – Prior to CECL Adoption

Additional impaired loan information is as follows:

December 31, 2022	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 652	$ 719	$ -	$ 586	$ 20
Agribusiness	1,401	1,702	-	1,455	-
Production and intermediate-term	115	112	-	112	-
Total impaired loans	$ 2,168	$ 2,533	$ -	$ 2,153	$ 20

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at December 31, 2022.

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans at December 31, 2022 were as follows:

($ in thousands)	2022
Interest income, which would have been recognized under the original loan terms	$ 131
Less: interest income recognized	(15)
Foregone interest income	$ 116

To mitigate the risk of credit losses, the Association entered into long-term standby commitments to purchase agreements with the Federal Agricultural Mortgage Corporation (Farmer Mac). The agreements, which are effectively credit guarantees that will remain in place until the loans are paid in full, give the Association the right to sell the loans identified in the agreements to Farmer Mac in the event of default (typically four months past due), subject to certain conditions. The balance of loans under long-term standby commitments was $2.9 million, $982 thousand, and $4.5 million at December 31, 2024, 2023, and 2022, respectively. Fees paid to Farmer Mac for such commitments totaled $8 thousand, $9 thousand, and $12 thousand for the years ended December 31, 2024, 2023, and 2022, respectively. These amounts are classified as noninterest expense.

In addition, the Association obtains Federal Guarantees through the Farm Service Agency and State of California Guarantees through Valley Small Business Development Corporation. In the event of default, Federal Guarantees cover a specific percent of principal and interest due on the loan while State Guarantees cover a specific percent of principal and the same percentage of post-default interest (up to ninety days from the default date). The Association had guaranteed volume with government agencies outstanding of $7.8 million, $9.0 million, and $8.6 million at December 31, 2024, 2023, and 2022, respectively.

Allowance for Credit Losses

The credit risk rating methodology is a key component of the Association's allowance for credit losses evaluation and is generally incorporated into the Association's loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established by the Association to manage credit exposure. By regulation, loan commitments to one borrower cannot be more than 15% of our regulatory capital. To further mitigate loan concentration risks, we have established internal lending limits that are below the regulatory requirements that are based on the risk associated with individual borrowers. A summary of changes in the allowance for credit losses by portfolio segment is as follows:

Dollars in thousands, except as noted

December 31, 2024	Real Estate Mortgage	Agribusiness	Production and Intermediate-term	Energy	Communications	Lease Receivables	Total
Allowance for credit losses:							
Balance at December 31, 2023	$ 773	$ 1,712	$ 353	$ 68	$ 27	$ 105	$ 3,038
Charge-offs	(55)	-	(35)	-	-	(6)	(96)
Provision for credit losses (credit loss reversal)	(36)	(130)	270	(22)	22	355	459
Balance at December 31, 2024	$ 682	$ 1,582	$ 588	$ 46	$ 49	$ 454	$ 3,401
Reserve for unfunded commitments:							
Balance at December 31, 2023	$ 31	$ 129	$ 54	$ -	$ 11	$ 26	$ 251
Credit loss reversal	(8)	(45)	(13)	-	-	(26)	(92)
Balance at December 31, 2024	$ 23	$ 84	$ 41	$ -	$ 11	$ -	$ 159
Total allowance for credit losses	$ 705	$ 1,666	$ 629	$ 46	$ 60	$ 454	$ 3,560

December 31, 2023	Real Estate Mortgage	Agribusiness	Production and Intermediate-term	Energy	Communications	Lease Receivables	Total
Allowance for credit losses:							
Balance at January 1, 2023	$ 2,281	$ 943	$ 751	$ -	$ -	$ 119	$ 4,094
Charge-offs	-	-	(116)	-	-	-	(116)
(Credit loss reversal) provision for credit losses	(1,508)	769	(282)	68	27	(14)	(940)
Balance at December 31, 2023	$ 773	$ 1,712	$ 353	$ 68	$ 27	$ 105	$ 3,038
Reserve for unfunded commitments:							
Balance at January 1, 2023	$ 154	$ 46	$ 206	$ 3	$ -	$ 52	$ 461
(Credit loss reversal) provision for credit losses	(123)	83	(152)	(3)	11	(26)	(210)
Balance at December 31, 2023	$ 31	$ 129	$ 54	$ -	$ 11	$ 26	$ 251
Total allowance for credit losses	$ 804	$ 1,841	$ 407	$ 68	$ 38	$ 131	$ 3,289

Allowance for Credit Losses - Prior to CECL Adoption

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

December 31, 2022	Real Estate Mortgage	Agribusiness	Production and Intermediate-term	Energy	Communications	Lease Receivables	Total
Allowance for credit losses:							
Balance at December 31, 2021	$ 680	$ 1,993	$ 3,943	$ -	$ -	$ 396	$ 7,012
Charge-offs	(14)	-	(2)	-	-	-	(16)
Recoveries	-	-	2	-	-	-	2
Credit loss reversal	(243)	(521)	(89)	-	-	(210)	(1,063)
Balance at December 31, 2022	$ 423	$ 1,472	$ 3,854	$ -	$ -	$ 186	$ 5,935
Ending balance: allowance individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance: allowance collectively evaluated for impairment	423	1,472	3,854	-	-	186	5,935
Balance at December 31, 2022	$ 423	$ 1,472	$ 3,854	$ -	$ -	$ 186	$ 5,935
Recorded investments in loans outstanding:							
Ending balance: loans individually evaluated for impairment	$ 652	$ 1,401	$ -	$ -	$ -	$ -	$ 2,053
Ending balance: loans collectively evaluated for impairment	951,059	222,210	274,660	7,863	-	20,175	1,475,967
Balance at December 31, 2022	$ 951,711	$ 223,611	$ 274,660	$ 7,863	$ -	$ 20,175	$ 1,478,020

Dollars in thousands, except as noted

4. INVESTMENT IN COBANK

At December 31, 2024, the Association's investment in CoBank is in the form of Class A stock with a par value of one hundred dollars per share. The Association is required to own stock in CoBank to capitalize its direct loan balance and participation loans sold to CoBank. The current requirement for capitalizing its direct loan from CoBank is 3 percent of the Association's prior one-year average direct loan balance. Under the current CoBank capital plan applicable to such participations sold, patronage from CoBank related to these participations sold is paid 75 percent cash and 25 percent Class A stock. The capital plan is evaluated annually by CoBank's board of directors and management and is subject to change.

CoBank may require the holders of its equities to subscribe to such additional capital as may be needed to meet its capital requirements or its joint and several liability under the Farm Credit Act and regulations. In making such a capital call, CoBank shall take into account the financial condition of each such holder and such other considerations, as it deems appropriate.

The Association owned approximately 1.00% of the outstanding common stock of CoBank at December 31, 2024.

5. PREMISES AND EQUIPMENT

Premises and equipment consist of land, buildings, leasehold improvements, furniture, fixtures, equipment, software, and automobiles. The following table presents the major components of premises and equipment:

As of December 31	2024	2023	2022
Land, buildings, and improvements	$ 11,267	$ 11,113	$ 6,581
Furniture and equipment	2,487	2,402	2,221
Software	2,930	2,925	2,740
Automobiles	63	25	25
Construction in progress	-	-	3,822
Less: accumulated depreciation and amortization	(7,478)	(6,881)	(6,186)
Total premises and equipment, net	$ 9,269	$ 9,584	$ 9,203

The Association is obligated for rental payments under certain non-cancelable operating leases. Rental payments for the years ended December 31, 2024, 2023, and 2022 totaled $71 thousand, $67 thousand, and $66 thousand, respectively. Future minimum lease payments on all non-cancelable operating leases with initial or remaining terms in excess of one year are as follows:

As of December 31,	
2025	$ 72
2026	66
2027	25
Total	$ 163

6. OTHER ASSETS AND OTHER LIABILITIES

A summary of other assets and other liabilities follows:

Other assets	2024	2023	2022
Accounts receivable	$ 9,060	$ 8,830	$ 8,574
Prepaid benefit expense	8,983	9,155	9,383
Equity investments	2,315	2,280	2,224
Other	715	669	842
Total	$ 21,073	$ 20,934	$ 21,023

Dollars in thousands, except as noted

Other liabilities	2024	2023	2022
Accrued salaries and employee benefits	$ 2,923	$ 2,507	$ 2,266
Accounts payable	1,531	2,216	2,492
Other	370	325	399
Total	$ 4,824	$ 5,048	$ 5,157

7. NOTE PAYABLE TO COBANK

The Association's indebtedness to CoBank represents borrowings by the Association to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and is governed by a General Financing Agreement (GFA), which provides for an open-ended revolving line of credit. The GFA and promissory note are subject to periodic renewals in the normal course of business. The GFA matures on May 31, 2028. The Association was in compliance with the terms and conditions of the GFA as of December 31, 2024.

Substantially all borrower loans are match-funded with CoBank. Payments and disbursements are made on the note payable to CoBank on the same basis the Association collects payments from and disburses on borrower loans. The interest rate may periodically be adjusted by CoBank based on the terms and conditions of the borrowing. The weighted average interest rate was 5.38% for the year ended December 31, 2024, compared with 5.22% for the year ended December 31, 2023, and 2.15% at December 31, 2022.

The Association has the opportunity to commit funds with CoBank under a variety of programs at either fixed or variable rates for specified timeframes. Participants in the program receive a credit on the committed loanable funds balance classified as a reduction of interest expense. These committed loanable funds are netted against the note payable to CoBank. The committed funds as of December 31 are as follows:

	2024	2023	2022
Committed funds	$ 296,496	$ 295,381	$ 295,182
Average rates	2.68%	2.28%	1.16%

Under the Farm Credit Act, the Association is obligated to borrow only from CoBank, unless CoBank gives approval to borrow elsewhere. CoBank, consistent with FCA regulations, has established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2024, the Association's note payable is within the specified limitations.

8. MEMBERS' EQUITY

Descriptions of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below:

Capital Stock and Participation Certificates

In accordance with the Farm Credit Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The borrower normally acquires ownership of the capital stock or participation certificates at the time the loan is made, but usually does not make a cash investment. Generally, the aggregate par value of the stock is added to the principal amount of the related loan obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers. In accordance with the Farm Credit Act, such equities are unprotected and at risk. Retirement of such equities will be solely at the discretion of the Board of Directors and generally be at the lower of par or book value. Repayment of a loan does not automatically result in retirement of the corresponding stock or participation certificates.

Capitalization bylaws allow stock requirements to range from the lesser of one thousand dollars or two (2) to ten (10) percent of the member's collective loan or commitment balance. The Board of Directors has the authority to change the minimum required stock level of a shareholder as long as the change is within this range. Currently, the Association has a stock requirement of one thousand dollars per customer.

Dollars in thousands, except as noted

Regulatory Capitalization Requirements and Restrictions

The following sets forth the regulatory capital ratio requirements and ratios at December 31, 2024:

	December 31, 2024	Regulatory Minimum	Capital Conservation Buffer	Total
Risk adjusted:				
Common equity tier 1 (CET1) capital ratio	15.25%	4.50%	2.50%	7.00%
Tier 1 capital ratio	15.25%	6.00%	2.50%	8.50%
Total capital ratio	15.44%	8.00%	2.50%	10.50%
Permanent capital ratio	15.28%	7.00%	-	7.00%
Non-risk-adjusted:				
Tier 1 leverage ratio	17.42%	4.00%	1.00%	5.00%
Unallocated retained earnings (URE) and URE equivalents (UREE) leverage ratio	17.38%	1.50%	-	1.50%

System 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.

Description of Equities

Each owner of class C capital stock is entitled to a single vote. Other classes of borrower equities do not provide voting rights to their owners. Voting stock may not be transferred to another person unless such person is eligible to hold voting stock. At December 31, 2024, the Association had the following classes of equity outstanding, all at a par value of five dollars per share/unit.

Class	Number of Shares	Voting	Protected
C - common stock	140,000	Yes	No
F - participation certificates	600	No	No

The Association has the authority to issue other classes of stock, no shares of which are outstanding. The voting rights, duties, and liabilities of such classes of stock are similar to the classes of stock discussed above.

Losses that result in impairment of capital stock and participation certificates will be allocated to the classes of equity described above on a pro-rata basis. Upon liquidation of the Association, any assets remaining after the settlement of all liabilities will be distributed first to redeem the par value of protected equities and then to redeem the par value of unprotected equities.

Any assets remaining after such distribution will be shared, pro-rata, by all stock and certificate holders of record immediately before the liquidation distribution.

Patronage Program

The Association has a patronage program that allows it to distribute available net earnings to its members. At each year end, the Board of Directors evaluates whether to retain the Association's net income to strengthen its capital position or to distribute a portion of the patronage-sourced net income to its members by declaring a cash patronage distribution. For 2024, the Association allocated 53 percent of its patronage sourced net income to its patrons. In accordance with Subchapter T of the Internal Revenue Code, the portion of patronage-sourced net income not distributed in cash may also be allocated to members in the form of nonqualified written notices of allocation. The Board of Directors considers these nonqualified allocations as retained earnings to be permanently invested in the Association. As such, there is no current plan to revolve or redeem these amounts. No express or implied right to have such capital retired or revolved at any time is granted.

Dollars in thousands, except as noted

9. PATRONAGE DISTRIBUTION FROM FARM CREDIT INSTITUTIONS

Patronage income recognized from Farm Credit institutions to the Association follows:

As of December 31	2024	2023	2022
CoBank	$ 8,967	$ 8,799	$ 8,679
Farm Credit Foundations	22	18	15
District Associations	2,849	2,448	2,058
Total	$ 11,838	$ 11,265	$ 10,752

Patronage distributed from CoBank was in cash and stock. These distributions are accrued monthly based on estimates provided by CoBank. The amount earned in 2024 was accrued and will be paid by CoBank in March 2025. The amount earned and accrued in 2023 was paid by CoBank in March 2024. The amount earned and accrued in 2022 was paid by CoBank in March 2023.

Farm Credit Foundations, a human resource service provider for a number of Farm Credit institutions, provides the Association's payroll and human resource services. Patronage distributed by Farm Credit Foundations was in cash and was recorded in the year received.

Patronage distributions from District Associations were in cash and recorded in the year received. These distributions represent patronage related to loan participation activity with other District Associations.

10. INCOME TAXES

The provision for income taxes follows:

As of December 31	2024	2023	2022
Current:			
Federal	$ -	$ -	$ -
State	2	2	2
Deferred:			
Federal	-	-	-
State	-	-	-
Provision for income taxes	$ 2	$ 2	$ 2

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows:

	2024		2023		2022	
As of December 31	Amount	Percent	Amount	Percent	Amount	Percent
Federal tax at statutory rate	$ 5,871	21.00%	$ 5,595	21.00%	$ 5,474	21.00%
State tax, net	1	0.00%	1	0.00%	1	0.00%
Effect of non-taxable FLCA income	(7,163)	-26.00%	(6,102)	-23.00%	(5,407)	-21.00%
Adjustments to valuation allowance	1,293	5.00%	508	2.00%	(66)	0.00%
Provision for income taxes	$ 2	0.00%	$ 2	0.00%	$ 2	0.00%

Dollars in thousands, except as noted

Deferred tax assets and liabilities are comprised of the following:

As of December 31	2024	2023	2022
Gross deferred tax asset:			
Allowance for credit losses	$ 314	$ 197	$ 1,134
Net loss carryforward	3,122	1,956	1,350
Gross deferred tax asset	3,436	2,153	2,484
Less: valuation allowance	(2,452)	(1,160)	(1,497)
Deferred tax assets, net of valuation allowance	984	993	987
Gross deferred tax liability:			
Bank patronage allocations	(561)	(432)	(426)
Stock patronage distributions from system banks	(423)	(561)	(561)
Gross deferred tax liability	(984)	(993)	(987)
Net deferred tax asset	$ -	$ -	$ -

The calculation of deferred tax assets and liabilities involves various management estimates and assumptions as to future taxable earnings, including the amount of non-patronage income and patronage income retained. The expected future tax rates are based upon enacted tax laws.

The Association recorded a valuation allowance of $2.5 million in 2024, $1.2 million in 2023, and $1.5 million in 2022. The Association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly. At December 31, 2024, the Association had deferred tax assets related to federal and state net operating losses of $2.7 million that have an indefinite carryforward period and $443 thousand that expire between 2032 and 2037.

The Association has no uncertain tax positions as of December 31, 2024, 2023, or 2022. The Association accounts for income taxes in accordance with Accounting Standards Codification (ASC) 740, *Income Taxes*, which provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements.

ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Association's tax returns to determine whether the tax positions are more-likely-than-not of being sustained upon examination by the applicable tax authority, based on the technical merits of the tax position, and then measuring the tax benefit that is more-likely-than-not to be realized. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current reporting period. The tax years that remain open for federal and major state income tax jurisdictions are 2021 and forward.

11. EMPLOYEE BENEFIT PLANS

Certain employees participate in the Eleventh District Defined Benefit Retirement Plan, a multi-employer defined benefit retirement plan (Defined Benefit Plan). The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan's benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan's termination is contingent on the sufficiency of the plan's net assets to provide benefits at that time. This Plan is noncontributory and covers eligible employees. The assets, liabilities, and costs of the plan are not segregated by participating entities. As such, plan assets are available for any of the participating employers' retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if the Association chooses to stop participating in the plan, the Association may be required to pay an amount based on the underfunded status of the plan, referred to as a withdrawal liability. Because of the multi-employer nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee moves to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of this plan.

The Defined Benefit Plan reflects a funded asset totaling $9.0 million at December 31, 2024. The pension benefits funding status reflects the net of the fair value of the plan assets and the projected benefit obligation at the date of these consolidated financial statements. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The projected benefit obligation of the plan was $212.4 million at December

31, 2024, $243.7 million at December 31, 2023, and $238.6 million at December 31, 2022. The fair value of the plan assets was $221.4 million at December 31, 2024, $243.3 million at December 31, 2023, and $236.8 million at December 31, 2022. The amount of the pension benefits funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to its current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. The Association recognizes its proportional share of expense and contributes a proportional share of funding. Total plan expense for participating employers was $3.8 million in 2024 and $4.7 million in 2023. Total plan contra-expense for participating employers was $1.5 million in 2022. The Association's allocated share of plan expenses included in salaries and employee benefits was $324 thousand for 2024 and $384 thousand for 2023. The Association's allocated share of plan contra-expense included in salaries and employee benefits was $1 thousand for 2022. Participating employers contributed $1.1 million to the plan in 2024, $1.5 million in 2023, and $23.0 million in 2022. The Association's allocated share of these pension contributions was $152 thousand in 2024, $157 thousand in 2023, and $1.7 million in 2022. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants.

The amount of the total employer contributions expected to be paid into the pension plans during 2025 is $300 thousand. The Association's allocated share of these pension contributions is expected to be $83 thousand. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than anticipated.

Postretirement benefits other than pensions are also provided through the Farm Credit Foundations Retiree Medical and Retiree Life Plans to eligible current and retired employees of the Association. Benefits provided are determined on a graduated scale, based on years of service. The anticipated costs of these benefits are accrued during the period of the employee's active service. Postretirement benefits contra-expense (primarily health care benefits and life insurance) included in salaries and employee benefits was $1 thousand in 2024 and 2023. Postretirement benefits expense (primarily health care benefits and life insurance) included in salaries and employee benefits were $8 thousand in 2022. These expenses are equal to the Association's cash contributions for each year.

The Association also participates in the Farm Credit Foundations Defined Contribution/401(k) Plan (Contribution Plan). The Contribution Plan has two components. Employees who do not participate in the Defined Benefit Plan may receive benefits through the Employer Contribution portion of the Contribution Plan. In this plan, the Association provides a monthly contribution based on a defined percentage of the employee's salary. Employees may also participate in a Salary Deferral Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions. Employer contributions to the Contribution Plan were $1.2 million in 2024, $1.1 million in 2023, and $1.0 million in 2022.

12. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Association enters into loan transactions with directors of the Association, their immediate families, and other organizations with which such persons may be associated. Such loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

The Association has a policy that loans to directors must be maintained at an Acceptable or Other Assets Especially Mentioned (OAEM) credit classification. If the loan falls below the OAEM credit classification, corrective action must be taken and the loan brought back to either Acceptable or OAEM within 30 days. If not, the director must resign from the Board of Directors.

Dollars in thousands, except as noted

The Association has a policy that employees, including senior officers, may not enter into loan transactions with the Association. Loan information to related parties is shown below:

As of December 31	2024	2023	2022
Beginning balance	$ 70,931	$ 63,414	$ 69,765
New loans	94,650	92,604	98,065
Repayments	(86,144)	(85,087)	(104,416)
Reclassifications[1]	(24,774)	-	-
Ending balance	$ 54,663	$ 70,931	$ 63,414

[1] Represents loans that were once considered related party but are no longer considered related party, or loans that were not related party that subsequently became related party loans.

In the opinion of management, none of the loans outstanding to directors at December 31, 2024 involved more than a normal risk of collectability.

The Association also has business relationships with certain other System entities. We purchase technology and other operational services from Financial Partners, Inc. (FPI), which is a technology service corporation. The Association is not a shareholder of FPI. The Association paid $201 thousand in 2024, $173 thousand in 2023, and $169 thousand in 2022 to Farm Credit Foundations for human resource services.

During 2016, the Association entered into an operating lease agreement with Farm Credit Leasing Services (FCL), which is a wholly-owned subsidiary of CoBank, for the construction of a solar power system. In December 2016, the solar equipment was placed into service and the lease agreement commenced with rental payments beginning in January 2017. The Association paid rental payments of $29 thousand to CoBank in 2024, $28 thousand in 2023, and $30 thousand in 2022. Future rental payments associated with the above operating lease are detailed in Note 5, “Premises and Equipment.”

13. REGULATORY ENFORCEMENT MATTERS

There are no regulatory enforcement actions in effect for the Association.

14. COMMITMENTS AND CONTINGENCIES

The Association has various commitments outstanding and contingent liabilities. The Association may participate in financial instruments with off-balance sheet risk to satisfy the financing needs of its borrowers and to manage their exposure to interest rate risk. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract.

Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. At December 31, 2024, $675.3 million of commitments to extend credit were outstanding.

As commitments may expire before being fully drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance sheet credit risk because their amounts are not reflected on the Consolidated Statements of Condition until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management’s credit evaluation of the borrower.

The Association also participates in standby letters of credits to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2024, the Association had $741 thousand of standby letters of credit outstanding with a nominal fair value. Outstanding standby letters of credit have expiration dates ranging from 2025 to 2027. The maximum potential amount of future payments the Association is required to make under the guarantees is $741 thousand.

The Association has set aside a reserve for unfunded commitments in the amount of $159 thousand in 2024, $251 thousand in 2023, and $241 thousand in 2022, which is included in liabilities on the Consolidated Statements of Condition. The adequacy of the reserve is evaluated regularly to determine if any increase or decrease to the reserve is warranted and, when necessary, the provision expense is recorded in other noninterest expense in the Consolidated Statements of Income.

Dollars in thousands, except as noted

With regard to contingent liabilities, there are no actions pending against the Association in which claims for monetary damages are asserted.

15. 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 2, "Summary of Significant Accounting Policies" for additional information. The Association has no assets or liabilities measured at fair value on a recurring or non-recurring basis as of the years ended December 31, 2024, 2023, and 2022.

16. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly results of operations for the years ended December 31, 2024, 2023, and 2022, follow:

Quarters ending in 2024	First	Second	Third	Fourth	Total
Net interest income	$ 10,905	$ 10,767	$ 11,094	$ 11,114	$ 43,880
Provision for credit losses (credit loss reversal)	45	199	258	(43)	459
Noninterest expense, net	2,180	4,418	4,599	4,267	15,464
Net income	$ 8,680	$ 6,150	$ 6,237	$ 6,890	$ 27,957

Quarters ending in 2023	First	Second	Third	Fourth	Total
Net interest income	$ 10,049	$ 9,934	$ 10,041	$ 10,327	$ 40,351
(Credit loss reversal) provision for credit losses	300	(142)	(1,051)	(47)	(940)
Noninterest expense, net	2,147	3,987	4,298	4,220	14,652
Net income	$ 7,602	$ 6,089	$ 6,794	$ 6,154	$ 26,639

Quarters ending in 2022[1]	First	Second	Third	Fourth	Total
Net interest income	$ 8,772	$ 9,352	$ 9,460	$ 9,717	$ 37,301
(Credit loss reversal) provision for credit losses	61	67	(296)	(895)	(1,063)
Noninterest expense, net	1,073	3,649	4,452	3,124	12,298
Net income	$ 7,638	$ 5,636	$ 5,304	$ 7,488	$ 26,066

[1] *Prior to 2023, loan prepayment fees were presented with noninterest income instead of interest income.*

17. SUBSEQUENT EVENTS

The Association has evaluated subsequent events through March 14, 2025, which is the date the consolidated financial statements were available to be issued, and no material subsequent events were identified.

DISCLOSURE INFORMATION

Unaudited

DESCRIPTION OF BUSINESS

The description of the territory served, persons eligible to borrow, types of lending activities engaged in, financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1, "Organization and Operations," included in this annual report to shareholders.

The description of significant developments that had or could have a material impact on earnings or interest rates to borrowers, acquisitions or dispositions of material assets, material changes in the manner of conducting the business, seasonal characteristics, and concentrations of assets, if any, required to be disclosed in this section, is incorporated herein by reference from "Management's Discussion and Analysis" (MD&A) included in this annual report to shareholders.

DESCRIPTION OF PROPERTY

The following table sets forth certain information regarding the properties of the Association:

Location	Description	Form of Ownership
4635 West Spruce, Fresno, California	Corporate Headquarters and Credit Delivery - Fresno Office Building	Owned
3475 Golden State Blvd., Madera, California	Credit Delivery - Madera Office Building	Owned
1698 Draper Street, Kingsburg, California	Credit Delivery - Kingsburg Office Building	Leased

LEGAL PROCEEDINGS AND ENFORCEMENT ACTIONS

Information required to be disclosed in this section is incorporated herein by reference from Note 13 to the consolidated financial statements, "Regulatory Enforcement Matters," and Note 14 to the financial statements, "Commitments and Contingencies," included in this annual report to shareholders.

DESCRIPTION OF CAPITAL STRUCTURE

Information required to be disclosed in this section is incorporated herein by reference from Note 8 to the consolidated financial statements, "Members' Equity," included in this annual report to shareholders.

DESCRIPTION OF LIABILITIES

The description of debt outstanding required to be disclosed in this section is incorporated herein by reference from Note 7 to the consolidated financial statements, "Note Payable to CoBank," included in this annual report to shareholders.

The description of funds held is incorporated herein by reference to Note 2 to the consolidated financial statements, "Summary of Significant Accounting Policies," included in this annual report to shareholders.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Note 14 to the consolidated financial statements, "Commitments and Contingencies," included in this annual report to shareholders.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2024, required to be disclosed in this section is incorporated herein by reference from the "Five-Year Summary of Selected Consolidated Financial Data," included in this annual report to shareholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS

"Management's Discussion and Analysis," which appears within this annual report to shareholders and is required to be disclosed in this section, is incorporated herein by reference.

GOVERNANCE

The Association is governed by an 11 member board that delegates the day to day management and operation of the Association to the CEO. Of these directors, 8 are elected by the members and 3 are appointed by the elected directors. The Board of Directors represents the interests of our members and has a fiduciary responsibility to them and to the Farm Credit System.

The Board of Directors meets regularly to perform the following functions, among others:

- selects, evaluates, and compensates the chief executive officer;
- approves the strategic plan, marketing plan, human capital plan, capital adequacy plan, financial plan, and annual operating plan and budget;
- sets policies, and monitors the performance of the Association in accordance with their policies;
- advises management on significant issues; and,
- oversees the financial reporting process, communications with members, and our legal and regulatory compliance.

Director Independence

All directors must exercise sound judgment in deciding matters in the Association's interest. All our directors are independent from the perspective that none of our management or staff serves as Board members. However, we are a financial services cooperative, and the Farm Credit Act and FCA Regulations require our elected directors to have a loan relationship with us.

The elected directors, as borrowers, have a vested interest in ensuring our Association remains strong and successful. A borrowing relationship with a director could be viewed as having the potential to compromise the independence of an elected director. For this reason, the Board has established disclosure reporting requirements to ensure that a loan relationship does not compromise the independence of our Board.

Annually, the independence of each Board member is reviewed and determined.

Audit Committee

The Audit Committee's responsibilities include, but are not limited to:

- the oversight of the financial reporting risk and the accuracy of the quarterly and annual shareholder reports;
- the oversight of the system of internal controls related to the preparation of quarterly and annual shareholder reports;
- the review and assessment of the impact of accounting and auditing developments on the consolidated financial statements; and,
- the establishment and maintenance of procedures for the receipt, retention, and treatment of confidential and anonymous submission of concerns regarding accounting, internal accounting controls, and auditing matters.

The Audit Committee Report published on page 23 of this report describes the Committee's activities during 2024.

Governance Committee

The Governance Committee, composed of the board chair, vice chair, and the chairs of Audit, Risk, and Human Capital committees, oversees governance and reporting processes, board operations, and continuous improvement efforts. Its responsibilities encompass ensuring the effective functioning of the board, upholding ethical standards within board practices, and driving progress in board performance. This committee is instrumental in monitoring compliance with governance principles. In addition, it plays a vital role in assessing and recommending enhancements to board operations and practices to align them with the organization's goals and stakeholder interests. A significant part of the committee's mandate is to oversee ethical standards within the board, ensuring adherence to applicable regulations and ethical norms.

Human Capital Committee

The Human Capital Committee is composed of four members, including the Board Chair who serves as an ex-Officio member of the Committee. The Committee is responsible for:

- the oversight of employee and director compensation;
- annually reviewing and evaluating the compensation policies, programs, and plans for senior officers, employees, and directors;

- annually performing the CEO evaluation process and providing a recommendation to the Board on the overall compensation program for the CEO;
- reviewing and approving the overall compensation program for senior officers (including the CEO); and,
- monitoring the Association's human capital plan.

Risk Committee

The Risk Committee is composed of five members, including the Board Chair who serves as an ex-Officio member of the Committee. The Committee is responsible for overseeing the risk management practices of the Association surrounding capital, credit, interest rate, liquidity, environmental, market, technology, operational, reputational, legal, and compliance risks. The committee creates a transparent environment of open communication between management and the Board to effectively manage the Association's risks.

Other Governance

The Board has monitored the requirements of public companies under the Sarbanes-Oxley Act. While we are not subject to the requirements of this law, we have implemented steps to strengthen governance and financial reporting. We strive to maintain strong governance and financial reporting through the following actions:

- a system for the receipt and treatment of whistleblower complaints;
- a code of ethics for the President/CEO, Chief Financial Officer, Chief Credit Officer and all other senior financial professionals, all employees and the Board of Directors;
- open lines of communication between the independent auditors, management, and the Audit Committee;
- "plain English" disclosures;
- officer certification of accuracy and completeness of the consolidated financial statements; and,
- information disclosure through our website.

DIRECTORS AND SENIOR OFFICERS

The following represents certain information regarding the directors of the Association.

DIRECTORS

Jeff Yribarren, Chair

Term of Office: 2024 – 2027

Committees: Serves as ex-officio member on Board's Human Capital, Audit, and Governance Committees.

Board or Officer Experience: Fresno Madera Farm Credit Director since 2012 and served as Second Vice Chair from May 2014 to April 2016, and since June 2020 to June 2021; and Vice Chair from June 2021 to 2023; J. Yribarren Farms, Inc. (Owner and President); Jeffrey & Wendy Yribarren Family Trust (Trustee); Western Custom Ag, LLC (Member); Reclamation District #1606 (Trustee); Colusa West, LLC (Member); First Tranquility Agriculture Corp. (Advisor); EarthSide, Inc. (Shareholder, Director); and Legendary Life, Inc. aka Yribarren Winery, Inc. (Owner and President); and past affiliation with Riverbend West, LLC (Member); Farmer's Hemp, LLC (Member). FH Farms, LLC (Member-Manager).

Mr. Yribarren is a fourth generation farmer and farms almonds, grapes (raisins), and custom farming.

Wayne Carstens, Vice Chair

Term of Office: 2022 - 2025

Committees: Governance (Chair), Audit (Vice Chair), Serves as ex-officio for Risk

Board or Officer Experience: Fresno Madera Farm Credit Director since 2019; Carstens Appraisal Services (Owner); Carstens Family Trust (Trustee); SunMaid Raisin Growers of California (Member-Owner and Director); Raisin Administrative Committee (Board Member); and Real Estate Appraiser Association (Board Member and Class Instructor); past affiliation with Accu-Rate Realty (Owner) and Fowler Lions Club (Board Member).

Mr. Carstens is a third generation farmer and farms grapes (juice and raisins), almonds, pistachios, alfalfa, and walnuts. He is also an appraiser and real estate broker.

Jeff Jue, Second Vice Chair

Term of Office: 2022 - 2025

Committees: Audit and Governance

Board or Officer Experience: Fresno Madera Farm Credit Director since 2007 with designation as a Financial Expert from 2008 to 2024, and served as Board Chairman from 2012 - 2023; Jue, LLC (Member and Manager); Jeff and Velvet Jue Family Trust (Trustee); SunMaid Raisin Growers of California (Member-Owner and Past Chairman); Sequoia Walnut Growers (Member-Owner and Past Director); Blue Diamond Almonds (Member-Owner); and Sun Pacific (Member).

Mr. Jue is a fourth generation farmer and president of Jue, LLC, which is a farming and agricultural limited liability company. Mr. Jue produces almonds, raisins, pecans, walnuts, and tangerines. He also operates a fruit dehydrator specializing in golden raisins and raisin reconditioning.

Paul Basila, Director

Term of Office: 2024 – 2027

Committees: Audit

Board or Officer Experience: Fresno Madera Farm Credit Director since 2024; Basila Farms, LLC (VP, Managing Member); Moore Road Pecans, LLC (Managing Member); Courtland Ranch, LLC (Owner, President, & Member); Gleeson Ranch (Owner & Partner); Elfrida Pecan Company (Partner); Woodset Partners Investments, LLC (Past Partner); Woodset Pecans, LLC (Father's business); Basilia Family Trust (Trustee).

Mr. Basila is a member of a fourth generation farming family, with a history dating back to 1906 in Madera and Sanger. Mr. Basila farms raisins and pecans.

Jeff Boldt, Director

Term of Office: 2023 - 2026

Committees: Risk

Board or Officer Experience: Fresno Madera Farm Credit since 2021; Jeff Boldt Farms, Inc. (President); Twin Palms Packing (President); 1991 Boldt Family Trust (Surviving Trustee); Jeffrey Warren Boldt Survivor's Trust (Trustee); Buhler Family Partnership (Partner), and Clay Joint Elementary School District (Board Trustee).

Mr. Boldt is a member of a fifth generation farming family, with a history dating back to 1907 in Reedley. Mr. Boldt has extensive experience in all aspects of agricultural and financial operations. Mr. Boldt farms peaches, nectarines, almonds, and walnuts.

Daniel Errotabere, Director

Term of Office: 2023 - 2026

Committees: Human Capital

Board or Officer Experience: Fresno Madera Farm Credit Director since 2014; Errotabere Ranches (General Partner); El Dorado Almonds (Shareholder); Errotabere Exports, Inc. (Stockholder); Errotabere Westside Trust (Trustee); Crescent Canal Company (Shareholder and Board Member); and CSUF Agriculture Foundation (Treasurer and Board Member); past affiliation with Family Farms Alliance (Board Member and Treasurer), San Luis and Delta Mendota Water Authority (Board Member), Westlands Water District (Board Member); 3 Family Farms (Director and Secretary); AE Farms (Member); AEF Farms (Member); and West Coast Hemp (Member).

Mr. Errotabere is a third generation farmer and farms almonds, barley, pistachios, wine grapes, Pima cotton, tomatoes, garlic, and garbanzos.

Allan Kantrowitz, Outside Appointed Director

Term of Office: 2023 – 2026

Committees: Risk (Chair), Governance (Vice Chair)

Board or Officer Experience: Fresno Madera Farm Credit Appointed Director since 2017; and Hangar Lofts (Director).

Mr. Kantrowitz is retired from a 38-year legal career in the Farm Credit System. During that time, he served as General Counsel for CoBank for almost 15 years with primary responsibility to provide all legal services, together with an effective team of lawyers and paralegals, to further the bank's objectives through regulatory interpretations, loan transactions and legal training for employees, directors, and customers.

Steve Schafer, Director

Term of Office: 2022 - 2025

Committees: Human Capital (Vice Chair)

Board or Officer Experience: Fresno Madera Farm Credit Director since 2004; Schafer Ranch, Inc. (Stockholder); Stephen and Cynthia Schafer Family Trust (Co-Trustee); Stephen L Schafer, Separate Property Trust (Co-Trustee); Cynthia A. Schafer, Separate Property Trust (Co-Trustee); Almond Tree Hulling, Inc. (Stockholder); Nolo LLC (Manager); MSM Airport Ranch, LLC (Member); Schafer & Schafer PTN Farming (Partner); San Joaquin Wine Co. Inc. (Owner); and Family Winemakers of California (Director); past affiliation with Nolo Farms II, LLC (Member), Madera Community Hospital Governing Board (Board Member), and Wine Institute (Board Member).

Mr. Schafer is a fourth generation farmer and farms wine grapes, almonds, raisins, kiwi, and figs. Mr. Schafer is a vintner, manages farm operations, and is a co-owner in an almond huller operation.

Sandi Schmiesing, Outside Appointed Director

Term of Office: 2024 - 2027

Committees: Human Capital (Chair), Governance

Board or Officer Experience: Fresno Madera Farm Credit Director since 2021, with a designation of Human Resources; and The SandCastle Group, LLC (President).

Ms. Schmiesing was appointed to the Fresno Madera Farm Credit Board of Directors in May 2021. Ms. Schmiesing is an innovative leader with a demonstrated history of success in Human Resources in the Farm Credit System. She has successfully built a strong career with various high-profile institutions, where she held a variety of leadership assignments. She led the creation of Farm Credit Foundations, which provides shared business services such as employee benefits, asset management, technology, and payroll operations for 60% of the Farm Credit System.

Lance Shebelut, Director

Term of Office: 2023 - 2026

Committees: Risk (Vice Chair)

Board or Officer Experience: Fresno Madera Farm Credit Director since 2014; Del Shebelut Farms (General Partner); El Lancer Farms (Partner); LSW Farming, Inc. (Stockholder); S & W Farming, Inc. (Stockholder); Hat Trick Farming, Inc. (Stockholder); Trinity Packing Company (Stockholder); S & W Pom Partners (Partner); XI River Ranch (Partner); RSW Farming Company (Partner); BDD Packing (Stockholder); Shebelut Family Trust (Trustee); L&S Farms, LLC (Manager); X2 Farming (Partner); X1 River Ranch (Partner); Tre Famingile, LLLC (Partner); and 99 Ranch GP, LLC (Partner).

Mr. Shebelut is a third generation farmer and farms almonds, apricots, apples, cherries, table grapes, citrus, nectarines, peaches, persimmons, plums, pomegranates, and Asian pears. Mr. Shebelut is also an employee involved in grower relations for Trinity Fruit Sales.

Denise Waite, Outside Appointed Director

Term of Office: 2022 - 2025

Committees: Audit (Chair), Governance

Board or Officer Experience: Fresno Madera Farm Credit Appointed Director with designation as a Financial Expert since 2013; and Remington Properties, LLC (Member); past affiliation with Dritsas Groom McCormick LLP (Partner).

Mrs. Waite is a Certified Public Accountant in the State of California and has significant experience with audit and assurance engagements. Her areas of expertise include audit, review and compilation services, controllership services, and tax preparation services for a broad range of businesses, including agriculture, construction and employee benefit plans.

COMPENSATION OF DIRECTORS

During 2024, directors were compensated based on an annual retainer paid monthly. The rates are based on position to accommodate those with additional time requirements and responsibilities. If a director falls into two position categories, the higher retainer is paid. The retainer amount paid to a director is adjusted for any position changes during the year. The annual retainers are as follows:

Position(s) Held	Annual Retainer
Board Chair	$ 52,800
Board Leader (Vice Chair & 2nd Vice Chair), Elected Director, Audit Committee	$ 43,299
Board Leader, Appointed Director, Audit Committee	$ 51,549
Board Leader, Appointed Director, Non-Audit Committee	$ 43,299
Board Leader, Non-Appointed	$ 35,049
Appointed Director	$ 35,750
Director, Audit Committee	$ 35,750
Director	$ 27,500

The following table reflects the days served at board meetings and other official activities (including committee meetings not held in conjunction with a board meeting), and total compensation paid to each director for the year ended December 31, 2024.

Name of Director	Number of Days Served at Board & Committee Meetings	Number of Days in Other Official Activities	Compensation Paid During 2024
Allan Kantrowitz	15	15	$ 41,659
Denise Waite	18	13	$ 49,597
Daniel Errotabere	8	2	$ 26,458
Jeff Yribarren	21	18	$ 50,800
Jeff Jue	16	14	$ 41,659
Jeff Boldt	9	7	$ 26,458
Kevin Herman[1]	2	-	$ 10,417
Lance Shebelut	6	-	$ 26,458
Paul Basila[2]	6	2	$ 20,854
Sandra Schmiesing	14	8	$ 41,659
Steve Schafer	7	3	$ 26,458
Wayne Carstens	19	25	$ 38,800
Total Compensation	141	107	$ 401,277

[1] Kevin Herman retired from the board at the end of his term in 2024.

[2] Paul Basila was elected to the board during 2024.

Directors are also reimbursed for mileage, as well as documented business expenses while serving in an official capacity. The total compensation paid to directors for 2024, as outlined above, amounted to $401,277. The Association has adopted a policy concerning travel, subsistence, and other related expenses as they apply to directors and senior officers. A copy of this policy is available to shareholders upon request. Aggregate reimbursements to all directors as a group for travel, subsistence and other related expenses were $30,062 in 2024, $33,467 in 2023, and $25,848 in 2022.

SENIOR OFFICERS

FCA regulations require the following disclosure of the business experience for the last five years for each senior officer. The following summarizes the composition and experience of the Senior Leadership Team:

Keith Hesterberg, President and Chief Executive Officer

Mr. Hesterberg was hired on June 13, 2013, and serves as President and Chief Executive Officer. He has 31 years of experience working in the Farm Credit System. Prior to joining Fresno Madera Farm Credit, he worked for CoBank, ACB for 14 years primarily based in Denver, Colorado and Sacramento, California. Mr. Hesterberg's CoBank experience included management of credit administration teams in Denver and Sacramento, and also portfolio management, including managing two regional banking centers serving 14 states in the West, Midwest, and Southeastern U.S. Mr. Hesterberg began his Farm Credit service in Illinois in various roles, including Branch Manager and Vice President of Commercial Lending.

Dan Kiggens, Senior Vice President and Chief Risk Officer/Chief Credit Officer

Mr. Kiggens serves as ACA Senior Vice President and Chief Risk Officer/Chief Credit Officer and has 28 years of Farm Credit experience. Mr. Kiggens is responsible for i) ensuring the Association's lending and loan quality objectives are met and compliance to the Association's credit standards, quality control programs and policies and procedures, ii) management of the credit administration function of the Association, including ensuring loans are properly structured, documented and are in compliance with applicable laws and regulations prior to closing, iii) ensuring that the Association's lending policies and guidelines comply with FCA regulations and Board approved policies, as well as overseeing the operations of the loan documentation department. He was hired in October 1996 and has served in various capacities including Loan Officer, Portfolio Manager, Fresno Branch Manager and Assistant Chief Credit Officer. He has served in his current capacity as Chief Risk Officer since September 1, 2020, and Chief Credit Officer since November 2012. Mr. Kiggens' Farm Credit experience includes complex direct lending, branch management, credit administration, development of supervisory controls, and loan approvals.

Stephanie Graham, Senior Vice President and Chief Administrative Officer

Ms. Graham serves as ACA Senior Vice President, Chief Administrative Officer, Information Security Officer, Business Recovery Officer, and Corporate Secretary and has 27 years of Farm Credit experience. Ms. Graham directs administrative operations including human resources, training and staff programs, marketing, and other designated Association administrative and corporate functions. Additionally, she has oversight responsibilities of the Association's loan accounting operations. She was hired in January 1998 and has served in various capacities within the organization including Loan Accounting Manager and Administrative Services/HR Manager. She has served in her current capacity as Chief Administrative Officer since March 15, 2012. Prior to joining Fresno Madera Farm Credit, Ms. Graham worked in public accounting.

David Ylarregui, Senior Vice President, Cross Functional Initiatives

Mr. Ylarregui serves as Senior Advisor, Cross Functional Initiatives, bringing 34 years of experience with Farm Credit. Over his career, Mr. Ylarregui has held various roles in credit origination and delivery. He has been serving in his current role since September 1, 2024.

Ken Brown, Senior Vice President and Appraisal Program Manager

Mr. Brown serves as ACA Senior Vice President and Appraisal Program Manager and has 34 years of Farm Credit experience. Mr. Brown is responsible for the operation of the real estate and chattel appraisal department and ensures the delivery of credible, accurate and timely appraisals which are developed independently from credit delivery operations to mitigate risk. Additionally, he directs the Association's facilities and fleet operations. He was hired in April 1991 and has held his current position as Appraisal Program Manager since August 16, 1999. He is a Certified General Real Estate appraiser and is designated as an Accredited Rural Appraiser (ARA). Prior to joining Fresno Madera Farm Credit, Mr. Brown worked for Farmers Home Administration in agricultural lending and appraisal as an Assistant County Supervisor.

Ken Thomas, Senior Vice President and Chief Operating Officer

Mr. Thomas serves as ACA Senior Vice President and Chief Operating Officer and was hired in January 2022. He is responsible for the Association's operations including information technology, business intelligence, compliance, and project management. He also serves as the Standards of Conduct Officer and the executive sponsor to oversee the Association's outsourced technology operations and has oversight of the Association's business intelligence reporting to create a program that ensures strong controls around data and fosters effective risk management within the organization's operations. He is a Certified Regulatory Compliance Manager from the American Bankers Association, and is a United States Army veteran. Mr. Thomas's prior experience includes over 25 years in retail and commercial banking including serving as a Chief Operating Officer, Chief Technology Officer, and Chief Risk Officer leading teams in areas of operations, compliance risk, vendor management and technology.

Marta Decker, Senior Vice President and Chief Financial Officer

Ms. Decker serves as ACA Senior Vice President and Chief Financial Officer and has more than 6 years of Farm Credit experience. Ms. Decker oversees the accounting and finance operations within the Association. Ms. Decker is a Certified Public Accountant, licensed in the state of New Mexico. She was hired in July 2023. Prior to joining Fresno Madera Farm Credit, Ms. Decker worked at Farm Credit of New Mexico where she served in various leadership roles, including as Senior Vice President and Chief Financial Officer, as well as Vice President and Controller. Prior to Farm Credit, she worked in the mortgage industry for 9 years and in public accounting for a global firm.

Casey Baker, Senior Vice President, Senior Director of Credit Operations & Development

Mr. Baker serves as Senior Vice President and Senior Director of Credit Operations and Development at FMFC, a role he assumed in May 2024. In this capacity, he oversees the credit staff, including credit managers and analysts, ensuring the effective management of credit operations and development strategies. With over two decades of experience spanning investment banking, commercial banking, and agricultural finance, Mr. Baker brings a wealth of expertise to the organization. Before joining FMFC, he held senior leadership roles, including managing a team of 50 Credit Analysts across California and Arizona, as well as leading Relationship Managers serving Northern, Southern, and Central California. A Chartered Financial Analyst (CFA) since 2011, Mr. Baker is also a graduate of Harvard Business School's Business Analytics Program, underscoring his commitment to data-driven decision-making and excellence in financial leadership.

Rob Bogdanovich, Senior Vice President and Relationship Management

Mr. Bogdanovich serves as ACA Senior Vice President, Relationship Management and has 22 years of Farm Credit experience. Mr. Bogdanovich is responsible for loan origination, loan servicing, and achieving credit quality standards and profitability. He was hired in May 2002, and has served in various capacities including Loan Officer, Assistant Branch Manager, VP of Capital Markets, and Director of Relationship Management. He has served in his current capacity since September 1, 2024.

COMPENSATION OF SENIOR OFFICERS

Required senior officer compensation information is included in the Association's Annual Meeting Information Statement (AMIS) mailed to all shareholders. The AMIS is available for public inspection at the Association office. Disclosure of information on the total compensation paid during the last fiscal year to any senior officer, or to any other officer included, is available and will be disclosed to shareholders upon request.

TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS

The Association's policies on loans to and transactions with its officers and directors, required to be disclosed in this section are incorporated herein by reference from Note 12 to the financial statements, "Related Party Transactions," included in this annual report to shareholders.

INVOLVEMENT OF SENIOR OFFICERS AND DIRECTORS IN CERTAIN LEGAL PROCEEDINGS

There were no matters which came to the attention of management or the Board of Directors regarding involvement of senior officers or current directors in specified legal proceedings which are required to be disclosed in this section.

RELATIONSHIP WITH COBANK

The Association is materially affected by CoBank's financial condition and results of operations.

The Association's statutory obligation to borrow from CoBank is discussed in Note 7 to the financial statements, "Note Payable to CoBank." Association requirement to invest in CoBank and CoBank's ability to access capital of the Association is discussed in Note 4, "Investment in CoBank." CoBank's role in mitigating the Association's exposure to interest rate risk is discussed in the MD&A section on Liquidity.

CoBank is required to distribute its Annual Report to shareholders of the Association if the bank experiences a "significant event" that has a material effect on the Association as defined by FCA regulations.

RELATIONSHIP WITH INDEPENDENT AUDITORS

There were no changes in independent auditors since the prior annual report to shareholders and there were no material disagreements with our independent auditors on any matter of accounting principles or financial statement disclosure during this period.

BORROWER PRIVACY

Borrower financial privacy and the security of your other nonpublic information are important to us. The Association holds your financial and other non-public information in strictest confidence. Federal regulations allow disclosure of such information by us only in certain situations. Examples of these situations include law enforcement or legal proceedings or when such information is requested by a Farm Credit System institution with which you do business. Borrower privacy and the security of the borrowers' personal information are vital to our continued ability to serve our member's ongoing credit needs.

FINANCIAL STATEMENTS

The consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 14, 2025, and the Report of Management, appearing as part of this Annual Report to Shareholders, are incorporated herein by reference.

COBANK ANNUAL AND QUARTERLY REPORTS TO SHAREHOLDERS

We, along with the borrower's investment in our Association, are materially affected by CoBank's financial condition and results of operations. The CoBank 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 4635 West Spruce, P.O. Box 13069, Fresno, California 93794-3069 or calling (559) 277-7000. Annual reports are available within 75 days after year end and quarterly reports are available within 40 days after the calendar quarter end.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS PROGRAM

Unaudited

OVERVIEW

A new generation of skilled, hands-on managers and owners is critical for the success and sustainability of the agricultural industry. Given the declining number of family farms, it is vital to focus on market segmentation and offer entry-level products and services to young, beginning, and part-time farmers in an economical and constructive manner.

To support this specialized customer base, FMFC promotes targeted financing programs and government-guaranteed loan options. We actively seek opportunities to sponsor educational programs, leadership training, and financial literacy efforts for young, beginning, and small farmers and ranchers.

YBS MISSION

The YBS mission of Fresno Madera Farm Credit, ACA, is to be the premier lender of choice in our market area. To ensure the emergence of young and beginning farmers into the marketplace, we will finance all eligible young, beginning, and small farmers in a constructive, consistent, and reliable manner. We will utilize this program to establish our relationships with these borrowers so that we can continue to fully serve our market territory.

PROGRAM DEFINITIONS

The FCA regulatory definitions for YBS farmers and ranchers are shown below:

- Young Farmer: A farmer, rancher, or producer or harvester of aquatic products who was age 35 or younger as of the date the loan was originally made.
- Beginning Farmer: A farmer, rancher, or producer or harvester of aquatic products who had 10 years or less farming or ranching experience as of the date the loan was originally made.
- Small Farmer: A farmer, rancher, or producer or harvester of aquatic products who normally generated less than $350 thousand in annual gross cash farm income at the date the loan was originally made.

EDUCATION AND FINANCIAL LITERACY

FMFC staff engages in the marketplace through active participation in local and state events, making contacts and interacting with others in the industry to provide knowledge and information. Staff is encouraged to speak to groups ranging from ag youth organizations to Farm Bureau Young Farmers and Ranchers to industry ag roundtables. Our staff leverage several conferences to undertake outreach and acquire the insights necessary to design appropriate programs and make annual adjustments to our YBS plans. We utilize these opportunities to educate and create greater awareness for the Farm Credit System.

To assist with our efforts in this area, we formed a partnership with the Valley Small Business Development Corporation (VSBDC). The Valley Small Business Development Corporation (VSBDC) is a nonprofit, public benefit, small business development corporation and has been in existence since 1981. Their mission is to provide small businesses and family farms with increased access to capital and is 100% focused on agriculture in the Central Valley, including FMFC's full loan service area. VSBC continues to support local community partners including the Asian Business Institute and Resource Center, which has a program that's primarily focused on small family farmers in and around the city of Fresno.

AGRICULTURAL YOUTH PROGRAMS PARTICIPATION

FMFC has a commitment to support agricultural education programs that inspire, educate, and cultivate future generations of farmers, agricultural leaders, and natural resource stewards. FMFC is proud to support programs like the Center for Land-Based Learning, California Ag in the Classroom, and 4-H and Future Farmers of America as they provide important tools for helping young people grow. Student members of these programs learn not only skills like growing crops and raising animals, but also business and interview skills, and they build character traits that prepare them for a future in any career. The following are some of the positive results:

- Fair Participation - Each year, FMFC allocates funds to contribute to 4-H and FFA events throughout the Central Valley. During 2024, in addition to monetary fair sponsorships, belt buckles, and animal purchases, FMFC staff members volunteered numerous hours as ag youth leaders, judging fair events, preparing and serving meals to youth livestock competition participants, and assisting and coordinating livestock auctions.

- Grants - Each year at our annual meeting in the spring, FMFC awards three to five $500 grants to FFA programs within the local high schools or 4-H programs located within our LSA. An application is sent to club leaders and directors across the valley, and winners are selected from the applications submitted. The awards are based upon activities completed by the group for the betterment of their community, as well as the best efforts by a group or individual within the program at the state or national level in animal, equipment or crop judging/showmanship, public speaking, or parliamentary procedure. In 2024, we awarded five grants to local 4-H and FFA programs and will continue this for the planning period.

- Education - Each year, FMFC sponsors banking and finance competitions for FFA's California West Central Section and East Fresno Madera Section. Agriculture and finance study guides are sent to each group about four weeks prior to their scheduled exam competitions. Members of our staff volunteer their time to visit the school sites and administer the exams. The winners receive a $250 scholarship check from FMFC for future college expenses. We will continue this program for the planning period. In 2024, FMFC partnered with the Center for Land-Based Learning to host their Farming, Agriculture, and Resource Management for Sustainability (FARMS) Leadership group for a full day learning experience. This included a presentation about Farm Credit in the U.S., along with mock interviews which provide them with specific feedback for future job interviews.

YBS OUTREACH PROGRAM

The YBS Outreach Program is designed to enhance FMFC's ability to extend credit to young, beginning, and small farmers and ranchers who may face difficulty obtaining traditional financing. By offering specialized underwriting standards, the program provides flexible loan options tailored to meet the distinct needs of YBS farmers, helping them overcome barriers to entry and grow their operations.

The program is structured to accommodate the unique challenges YBS farmers face, such as limited financial history or a lack of established equity, while maintaining sound credit practices. By doing so, FMFC aims to ensure that these farmers have access to the financial resources necessary to succeed. The program's goal is to support the development of a new generation of farmers and ranchers, contributing to the long-term sustainability of agriculture in our region.

Additionally, FMFC continually works to refine its offerings, adapting to the evolving needs of the YBS segment and ensuring that these borrowers can successfully transition to more traditional credit products as their businesses grow and mature.

GUARANTEE AND PARTICIPATION PROGRAMS

Federal and state guarantee programs are useful tools in managing the risks associated with our YBS lending programs and they expand our capacity to provide solutions to the various YBS opportunities that exist in our market. FMFC also coordinates credit with other Farm Credit institution lenders for participation in loans that benefit young and beginning farmers and ranchers.

GROW YOUR FUTURE FORUM

FMFC actively participates in the Grow Your Future Forum, a collaborative initiative involving associations within the CoBank District. The conference is an interactive gathering of YBS customers representing their respective association in educational seminars and fostering networking opportunities. Insights will be gathered from the attendees regarding the needs of YBS farmers and ranchers and will be utilized to create alignment between the needs of these categories with program features.

DEMOGRAPHICS

The following table outlines our percentage of YBS loans as a percentage of our loan portfolio (by number) as of December 31. The USDA column represents the percent of farmers and ranchers classified as YBS within our territory per the 2022 USDA Agricultural Census, which is the most current data available. It should be noted that 31% of the farms reported as Small within the USDA data produce $25 thousand or less in gross farm income and would typically not require access to capital. It should also be noted that the USDA data does not categorize based on the $350 thousand threshold per the new small definition as described above and it's still reflective of $250 thousand. Per FCA regulatory definitions, a farmer/rancher may be counted in multiple categories if they meet the criteria for each.

	USDA	2024	2023	2022
Young	6.64%	9.16%	9.99%	10.88%
Beginning	25.03%	19.35%	20.83%	19.27%
Small[1]	33.90%	16.06%	15.80%	16.71%

[1] Beginning in 2024, the threshold for Small loans increased from $250 thousand to $350 thousand. For 2023 and 2022, Small loans were calculated based on the $250 thousand threshold.

Our percentages are based on the number of loans in our portfolio, while the USDA percentages are based on the number of farmers and ranchers.

GOALS AND RESULTS

Efforts to increase our market penetration in this area are ongoing as we look to provide services to all customers within our LSA. We have included loan growth by number and volume across all YBS segments for the three-year planning period. In addition to specific growth targets for each of the segments, development of an outreach program to further educate and promote the Farm Credit System will be a focus. Periodic reports are provided to our Board of Directors detailing the number, volume, and credit quality of our YBS customers. We have developed quantitative targets to monitor our progress.

The following chart outlines our 2024 goals and results:

Number of loans	Goal	Actual	Percent of goal
Young	154	142	92.21%
Beginning	329	300	91.19%
Small	252	249	98.81%

Loan volume (in thousands)	Goal	Actual	Percent of goal
Young	$ 116,502	$ 143,658	123.31%
Beginning	$ 264,379	$ 265,025	100.24%
Small	$ 73,966	$ 72,130	97.52%

Based on our market information, efforts, and historical results, we have established 2025 minimum goals at a 2% growth in loan numbers and volume across all segments for the three-year planning period, with the exception of Small loans, where loan numbers and volume were increased to 3% and 4%, respectively. This was done to expand efforts to increase our small customer portfolio and better align with the regulatory change that increased the gross income threshold from $250 thousand to $350 thousand, effective January 1, 2024. With this change, it is anticipated that there will be more opportunities to grow the Small customer base category. We will continue to seek opportunities to enhance YBS programs to enable YBS farmers in our LSA to begin, grow, and remain in agriculture production, as well as to facilitate the transfer of agricultural operations from one generation to the next.

FRESNO MADERA
FARM CREDIT
AGRICULTURE IS OUR ONLY BUSINESS