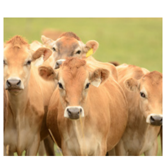
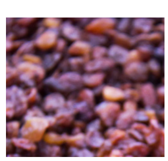


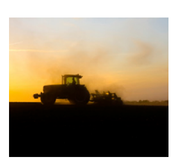
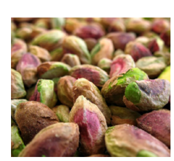
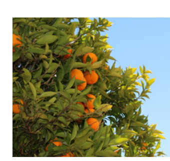

Fresno Madera Farm Credit

Agriculture is Our Only Business


2019 Third Quarter Financial Statements



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FRESNO MADERA FARM CREDIT, ACA

2019 THIRD QUARTER FINANCIAL STATEMENTS

MESSAGE TO SHAREHOLDERS

November 8, 2019

Dear Member:

These consolidated financial statements reflect the status of the Fresno Madera Farm Credit, ACA and its subsidiaries at the end of the Third Quarter of 2019. Results for interim periods are not necessarily indicative of results to be expected for the year. These financial statements were prepared and reviewed under the oversight of the Association's Audit Committee.

The shareholders' investment in the Association is materially affected by the financial condition and the results of the operation of CoBank. The CoBank, ACB and CoBank District quarterly and annual reports are available free of charge by accessing CoBank's website, www.cobank.com, or may be obtained at no charge by contacting us at 4635 W. Spruce, P.O. Box 13069, Fresno, California 93794-3069 or by calling (559) 277-7000.

The undersigned certify they have reviewed this report, this report has been prepared in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of his or her knowledge and belief.

Sincerely,

Denise Waite
Audit Committee Chair
Fresno Madera Farm Credit, ACA
Fresno Madera PCA, FLCA

Keith Hesterberg
President and Chief Executive Officer
Fresno Madera Farm Credit, ACA
Fresno Madera PCA , FLCA

Joe Soto
Senior Vice President and Chief Financial Officer
Fresno Madera Farm Credit, ACA
Fresno Madera PCA, FLCA

RESULTS OF OPERATIONS

Net income for the nine months ended September 30, 2019 was $18.1 million compared to $17.1 million from the comparative period in 2018. Our earnings primarily reflect higher net interest income.

Net interest income increased $952 to $24.9 million for the nine months ended September 30, 2019 from the comparative period in 2018 due to higher average loan volume and increased earnings associated with our invested capital impacted by increased interest rates.

Noninterest income for the nine months ended September 30, 2019 was $7.2 million which is a decrease of $408 thousand or 5% from the comparative period in 2018. Noninterest income includes patronage distributions which reflect patronage income on direct borrowings from CoBank as well as participations purchased activity with CoBank and other Farm Credit Associations. Patronage income has remained fairly steady compared to the prior year. However, noninterest income overall was impacted by a non-recurring refund of premiums previously paid to the Farm Credit System Insurance Corporation (FCSIC) after the FCSIC board voted to return excess funds to the system. The refund received in the current year was lower than the refund received in the comparative period which is the primary driver of the decrease in noninterest income.

The provision for loan losses for the nine months ended September 30, 2019 was $342 compared to $1.1 million in the comparative period in 2018. The provision is primarily due to an increase in our allowance for loan losses as a result of some increase in credit risk associated with our loan portfolio. The provision in prior year was primarily due to an increase in outstanding loan volume as well as a slight increase in credit risk.

Noninterest expenses for the nine months ended September 30, 2019 increased $274 or 2%, to $13.7 million compared to the same period in the prior year primarily due to higher salaries and employee benefits expenses driven by an increased number of staff in order to provide bench strength in various departments and assist in succession planning efforts. This was largely offset by decreases in information technology and purchased service expense. Information technology and purchased services expense in the prior period included non-recurring costs related to our IT conversion from AgVantis to Farm Credit Financial Partners, Inc. (FPI).

LOAN PORTFOLIO

Loan volume outstanding at September 30, 2019 was $1,226 million, a decrease of $20.9 million from total loan volume at December 31, 2018 of $1,247 million. Overall the decrease in loan volume is primarily due to unscheduled loan payoffs partially offset by seasonal operating line utilization.

As of September 30, 2019, the allowance for loan losses was $7.1 million, an increase of $278 from December 31, 2018, with the allowance as a percentage of loans at 0.58%. The increase in allowance for loan losses is primarily the result of an increase in our exposure caused by migration in our portfolio as a result of some deterioration of our portfolio's credit quality.

CAPITAL RESOURCES

The Association continues to have a sound capital position with a total regulatory capital ratio of 17.26% compared to the minimum of 15.50% established by the board of directors. Members' equity at September 30, 2019 was $285 million representing an increase of $18.1 million or 7% from December 31, 2018. The increase in Members' equity is attributed to the Association's net operating results.

For additional information, please refer to the "Notes to Consolidated Financial Statements" and the Association's 2018 Annual Report to Shareholders.

CONSOLIDATED STATEMENTS OF CONDITION

(Dollars in thousands)

	September 30 2019 UNAUDITED	December 31 2018 AUDITED
ASSETS		
Loans	**$1,226,380**	$ 1,247,297
Less allowance for loan losses	**7,065**	6,787
Net loans	**1,219,315**	1,240,510
Cash	**20**	10,530
Accrued interest receivable	**25,021**	22,191
Investment in CoBank, ACB	**37,334**	36,840
Premises and equipment, net	**5,657**	5,991
Other assets	**9,803**	10,263
Total assets	**$1,297,150**	$ 1,326,325
LIABILITIES		
Note payable to CoBank, ACB	**$ 933,716**	$ 976,151
Funds held	**73,254**	65,931
Accrued interest payable	**1,401**	1,769
Patronage distributions payable	**-**	10,402
Other liabilities	**3,766**	5,114
Total liabilities	**1,012,137**	1,059,367
MEMBERS' EQUITY		
Capital stock and participation certificates	**757**	774
Unallocated retained earnings	**284,256**	266,184
Total members' equity	**285,013**	266,958
Total liabilities and members' equity	**$1,297,150**	$ 1,326,325

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

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands)

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	**2019**	2018
	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED
INTEREST INCOME				
Loans	**$ 14,997**	$ 13,941	**$ 45,788**	$ 39,299
INTEREST EXPENSE				
Note payable to CoBank, ACB	**6,353**	5,557	**19,551**	14,488
Funds held	**434**	358	**1,297**	823
Total interest expense	**6,787**	5,915	**20,848**	15,311
Net interest income	**8,210**	8,026	**24,940**	23,988
Provision for Loan Losses	**108**	384	**341**	1,080
Net interest income after provision for loan losses	**8,102**	7,642	**24,599**	22,908
NONINTEREST INCOME				
Patronage distribution from Farm Credit Institutions	**1,421**	2,423	**6,256**	6,322
Farm Credit Insurance Fund rebate	**-**	-	**272**	673
Financially related services income	**52**	47	**236**	214
Loan fees	**121**	90	**310**	294
Other noninterest income	**51**	71	**139**	118
Total noninterest income	**1,645**	2,631	**7,213**	7,621
NONINTEREST EXPENSE				
Salaries and employee benefits	**2,364**	2,210	**7,903**	6,834
Occupancy and equipment	**107**	132	**370**	399
Farm Credit Insurance Fund premium	**200**	192	**592**	556
Information technology	**920**	1,382	**2,722**	3,146
Supervisory and examination costs	**111**	89	**332**	305
Other noninterest expense	**577**	1,220	**1,819**	2,224
Total noninterest expense	**4,279**	5,225	**13,738**	13,464
Income before income taxes	**5,468**	5,048	**18,074**	17,065
Provision for income taxes	**-**	-	**2**	2
Net income	**$ 5,468**	$ 5,048	**$ 18,072**	$ 17,063

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

(Dollars in thousands)

UNAUDITED	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Total Members' Equity
Balance at December 31, 2017	$ 757	$ 256,633	$ 257,390
Net income		17,063	17,063
Capital stock and participation certificates issued	64		64
Capital stock and participation certificates retired	(49)		(49)
Balance at September 30, 2018	**$ 772**	**$273,696**	**$274,468**
Balance at December 31, 2018	$ 774	$ 266,184	$ 266,958
Net income		18,072	18,072
Capital stock and participation certificates issued	42		42
Capital stock and participation certificates retired	(59)		(59)
Balance at September 30, 2019	**$ 757**	**$284,256**	**$285,013**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except as noted)
(Unaudited)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Fresno Madera Farm Credit, ACA (ACA) and subsidiaries, Fresno Madera Federal Land Bank Association, FLCA (FLCA) and Fresno Madera Production Credit Association, (PCA) (collectively, the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2018 are contained in the 2018 Annual Report to Shareholders. These unaudited third quarter 2019 financial statements should be read in conjunction with the 2018 Annual Report to Shareholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2018 as contained in the 2018 Annual Report to Shareholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2019. Descriptions of the significant accounting policies are included in the 2018 Annual Report to Shareholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

In August 2018, the Financial Accounting Standards Board (FASB) issued guidance entitled "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Cost." The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this guidance. This guidance becomes effective for interim and annual periods beginning after December 15, 2019. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. Early adoption is permitted. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The Association is evaluating the impact of adoption on the Association's financial condition and its results of operations.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement." The guidance modifies the requirements on fair value measurements by removing, modifying or adding to the disclosures. This guidance becomes effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted and an entity is permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The adoption of this guidance will not impact the Association's financial condition or its results of operations but will impact the fair value measurements disclosures. The Association early adopted the removal and modified disclosures during the fourth quarter of 2018.

(Dollars in thousands, except as noted)

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans." The guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance becomes effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The guidance is to be applied on a retrospective basis for all periods. The adoption of this guidance will not impact the Association's financial condition or its results of operations, but will impact the employee benefit plan disclosures.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance becomes effective for interim and annual periods beginning after December 15, 2020, with early application permitted. The Association is evaluating the impact of adoption on its financial condition and results of operations.

In February 2016, the FASB issued guidance entitled "Leases." The guidance requires the recognition by lessees of lease assets and lease liabilities on the balance sheet for the rights and obligations created by those leases. The guidance and related amendments in this update become effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The adoption of this guidance in 2019 did not materially impact the Association's financial condition or its results of operations, but will impact lease disclosures.

2. Loans and Allowance for Loan Losses

A summary of loans follows:

	September 30, 2019	December 31, 2018
Real estate mortgage	**$ 770,721**	$ 803,992
Production and intermediate-term	**256,966**	239,756
Agribusiness:		
Cooperatives	**80,821**	78,673
Processing and marketing	**81,541**	84,830
Farm-related business	**2,372**	2,708
Energy	**6,376**	6,374
Lease receivables	**27,583**	30,964
Total loans	**$ 1,226,380**	$ 1,247,297

Unamortized deferred loan fees and costs totaled $3.9 million and $4.6 million as of September 30, 2019 and December 31, 2018, respectively.

(Dollars in thousands, except as noted)

The Association purchases and sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding participations purchased and sold as of September 30, 2019:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 117,685	$ 227,476	$ -	$ -	$ 117,685	$ 227,476
Production and intermediate-term	12,881	154,040	-	-	12,881	154,040
Agribusiness	136,988	45,713	-	-	136,988	45,713
Energy	6,376	-	-	-	6,376	-
Lease receivables	27,583	-	-	-	27,583	-
Total loans	**$ 301,513**	**$ 427,229**	**$ -**	**$ -**	**$ 301,513**	**$ 427,229**

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality,
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness,
- Substandard – assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan,
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable, and
- Loss – assets are considered uncollectible.

(Dollars in thousands, except as noted)

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

	September 30, 2019	December 31, 2018
Real estate mortgage		
Acceptable	**95.91%**	97.91%
OAEM	**1.51%**	0.60%
Substandard	**2.58%**	1.49%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**91.90%**	91.89%
OAEM	**3.87%**	1.70%
Substandard	**4.23%**	6.41%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**93.92%**	96.55%
OAEM	**3.96%**	0.00%
Substandard	**2.12%**	3.45%
Total	**100.00%**	100.00%
Energy		
Acceptable	**0.00%**	100.00%
OAEM	**100.00%**	0.00%
Total	**100.00%**	100.00%
Lease receivables		
Acceptable	**84.38%**	89.76%
OAEM	**9.49%**	0.37%
Substandard	**6.13%**	9.87%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**94.07%**	96.39%
OAEM	**3.00%**	0.72%
Substandard	**2.93%**	2.89%
Total	**100.00%**	100.00%

(Dollars in thousands, except as noted)

High risk assets consist of impaired loans and other property owned. These nonperforming assets (including related accrued interest) and related credit quality are as follows:

		September 30, 2019		December 31, 2018
Nonaccrual loans:				
Real estate mortgage	**$**	**7,175**	$	5,762
Production and intermediate-term		**4,180**		5,860
Agribusiness		**648**		-
Total nonaccrual loans		**12,003**		11,622
Accruing restructured loans		**-**		-
Accruing loans 90 days past due		**1,393**		-
Other property owned		**-**		-
Total high risk assets	**$**	**13,396**	$	11,622

Additional impaired loan information is as follows:

	September 30, 2019			December 31, 2018		
	Recorded Investment	**Unpaid Principal Balance**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	$ 7,175	$ 7,466	$ -	$ 5,762	$ 5,762	$ -
Production and intermediate-term	4,180	5,025	-	5,860	6,426	-
Agribusiness	648	648	-	-	-	-
Total impaired loans	$ 12,003	$ 13,139	$ -	$ 11,622	$ 12,188	$ -

The increase in impaired loans during the nine months ended September 30, 2019 is primarily due to two loan complexes transferred to nonaccrual in the third quarter. This was partially offset by paydowns on existing impaired loan complexes.

	For the Three Months Ended			
	September 30, 2019		September 30, 2018	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Production and intermediate-term	$ -	$ -	$ 102	$ -
Total	-	-	102	-
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	5,444	3	2,129	-
Production and intermediate-term	3,974	-	1,761	-
Agribusiness	240	-	-	-
Total	9,658	3	3,890	-
Total impaired loans	$ 9,658	$ 3	$ 3,992	$ -

(Dollars in thousands, except as noted)

	For the Nine Months Ended			
	September 30, 2019		September 30, 2018	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Production and intermediate-term	$ -	$ -	$ 34	$ -
Total	-	-	34	-
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	4,996	44	719	-
Production and intermediate-term	3,908	-	594	-
Agribusiness				
Process and marketing	80	-	-	-
Total	8,984	44	1,313	-
Total impaired loans	$ 8,984	$ 44	$ 1,347	$ -

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

September 30, 2019	**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	$ 788,892	$ 212	$ 2,589	$ 791,693	$ -
Production and intermediate-term	255,082	1,378	3,623	260,083	1,393
Agribusiness	165,090	240	-	165,330	-
Energy	6,379	-	-	6,379	-
Lease receivables	27,832	84	-	27,916	-
Total	$ 1,243,275	$ 1,914	$ 6,212	$ 1,251,401	$ 1,393

December 31, 2018	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	$ 820,989	$ 1,204	$ -	$ 822,193	$ -
Production and intermediate-term	234,182	3,021	5,683	$ 242,886	-
Agribusiness	166,576	236	-	166,812	-
Energy	6,381	-	-	6,381	-
Lease receivables	30,973	243	-	31,216	-
Total	$ 1,259,101	$ 4,704	$ 5,683	$ 1,269,488	$ -

A summary of changes in the allowance for loan losses by loan type is as follows:

For the Three Months Ended September 30, 2019	**Real estate mortgage**	**Production and intermediate- term**	**Agribusiness**	**Energy**	**Lease receivables**	**Total**
Allowance for Credit Losses:						
Balance at June 30, 2019	$ 477	$ 3,644	$ 1,595	$ 27	$ 1,258	$ 7,001
Charge-offs	(32)	(12)	-	-	-	(44)
Recoveries	-	-	-	-	-	-
Provision for Loan Losses/(Loan loss reversal)	(32)	190	(89)	76	(37)	108
Balance at September 30, 2019	$ 413	$ 3,822	$ 1,506	$ 103	$ 1,221	$ 7,065

(Dollars in thousands, except as noted)

For the Three Months Ended September 30, 2018	Real estate mortgage	Production and intermediate- term	Agribusiness	Energy	Lease receivables	Total
Allowance for Credit Losses:						
Balance at June 30, 2018	$ 363	$ 3,870	$ 1,675	$ 24	$ 843	$ 6,775
Charge-offs	-	(334)	-	-	-	(334)
Recoveries	-	-	-	-	-	-
Provision for Loan Losses/(Loan loss reversal)	(3)	276	(93)	1	203	384
Balance at September 30, 2018	$ 360	$ 3,812	$ 1,582	$ 25	$ 1,046	$ 6,825

For the Nine Months Ended September 30, 2019	Real estate mortgage	Production and intermediate- term	Agribusiness	Energy	Lease receivables	Total
Allowance for Credit Losses:						
Balance at December 31, 2018	$ 439	$ 3,781	$ 1,699	$ 26	$ 842	$ 6,787
Charge-offs	(32)	(31)	-	-	-	(63)
Recoveries	-	-	-	-	-	-
Provision for Loan Losses/(Loan loss reversal)	6	72	(193)	77	379	341
Balance at September 30, 2019	$ 413	$ 3,822	$ 1,506	$ 103	$ 1,221	$ 7,065

For the Nine Months Ended September 30, 2018	Real estate mortgage	Production and intermediate- term	Agribusiness	Energy	Lease receivables	Total
Allowance for Credit Losses:						
Balance at December 31, 2017	$ 393	$ 3,203	$ 1,422	$ 41	$ 999	$ 6,058
Charge-offs	-	(334)	-	-	-	(334)
Recoveries	-	-	21	-	-	21
Provision for Loan Losses/(Loan loss reversal)	(33)	943	139	(16)	47	1,080
Balance at September 30, 2018	$ 360	$ 3,812	$ 1,582	$ 25	$ 1,046	$ 6,825

A summary of the allowance for loan losses and period end recorded investment in loans (including accrued interest) is as follows:

	Real estate mortgage	Production and intermediate- term	Agribusiness	Energy	Lease receivables	Total
Allowance for Credit Losses:						
Ending balance: Allowance individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance: Allowance collectively evaluated for impairment	413	3,822	1,506	103	1,221	7,065
Balance at September 30, 2019	$ 413	$ 3,822	$ 1,506	$ 103	$ 1,221	$ 7,065
Recorded Investments in Loans Outstanding:						
Ending balance: Loans individually evaluated for impairment	$ 7,175	$ 4,180	$ 648	$ -	$ -	$ 12,003
Ending balance: Loans collectively evaluated for impairment	784,518	255,903	164,682	6,379	27,916	1,239,398
Balance at September 30, 2019	$ 791,693	$ 260,083	$ 165,330	$ 6,379	$ 27,916	$ 1,251,401

	Real estate mortgage	Production and intermediate- term	Agribusiness	Energy	Lease receivables	Total
Allowance for Credit Losses:						
Ending balance: Allowance individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance: Allowance collectively evaluated for impairment	439	3,781	1,699	26	842	6,787
Balance at December 31, 2018	$ 439	$ 3,781	$ 1,699	$ 26	$ 842	$ 6,787
Recorded Investments in Loans Outstanding:						
Ending balance: Loans individually evaluated for impairment	$ 5,762	$ 5,860	$ -	$ -	$ -	$ 11,622
Ending balance: Loans collectively evaluated for impairment	816,431	237,026	166,812	6,381	31,216	1,257,866
Balance at December 31, 2018	$ 822,193	$ 242,886	$ 166,812	$ 6,381	$ 31,216	$ 1,269,488

(Dollars in thousands, except as noted)

The Association recorded no troubled debt restructurings during the nine months ended September 30, 2019.

3. CAPITAL

A summary of select capital ratios based on a three-month average and minimums set by the Farm Credit Administration follows:

	September 30, 2019	December 31, 2018	Regulatory Minumums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	**16.76%**	**16.90%**	4.50%	2.5%*	7.00%
Tier 1 capital ratio	**16.76%**	**16.90%**	6.00%	2.5%*	8.50%
Total capital ratio	**17.26%**	**17.40%**	8.00%	2.5%*	10.50%
Permanent capital ratio	**16.84%**	**16.98%**	7.00%	-	7.00%
Non-risk-adjusted:					
Tier 1 leverage ratio	**19.49%**	**19.40%**	4.00%	1.00%	5.00%
Unallocated retained earnings and equivalents leverage ratio	**20.56%**	**20.10%**	1.50%	–	1.50%

* The 2.5% capital conservation buffer over risk-adjusted ratio minimums will be phased in over three years under the FCA capital requirements.

4. FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. Refer to Note 2 in the 2018 Annual Report to Shareholders for a more complete description.

The Association had no assets or liabilities measured at fair value on a recurring or non-recurring basis at September 30, 2019 or December 31, 2018.

5. SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 8, 2019 which is the date the financial statements were issued, and no material subsequent events were identified.








Fresno Madera Farm Credit, ACA

Fresno Madera Production Credit Association

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