**Customer** Owned | **Customer** Focused

2022

Golden State Farm Credit

# QUARTERLY REPORT TO SHAREHOLDERS AS OF MARCH 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Unaudited)

The following discussion summarizes the financial position and results of operations of Golden State Farm Credit, ACA (the Association) for the three months ended March 31, 2022, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2021 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

### ECONOMIC OVERVIEW

As of March 2022, 100% of California continued to experience drought conditions. Despite a wet start to this water year, the Department of Water Resources is still planning for a below average water year. Water curtailments have been reinstated in a few sub-watersheds of the Delta watershed and it is likely that additional curtailments will be reinstated in the Delta watershed if conditions remain dry. We will continue to monitor the impact of the drought, and the effect on our borrowers as the year proceeds.

Like many industries, the COVID pandemic affected the dairy market. Milk prices have rebounded significantly since 2020, and, as a result, many operators have adequate liquidity and have paid down operating debt using profits from the past two years. Overall the dairy portfolio is strong with almost all dairies performing as expected, but feed and operational costs are expected to remain high.

Based on the California Walnut Board reports, final receipts on the 2021 crop were down from the 2020 crop, as expected, due to drought and the extraordinary large prior year crop. Walnut prices have been steady and will likely be similar to prior year. The walnut market continues to experience shipping difficulties due to California port issues and the start of the 2022 growing season has been abnormally dry again. The Almond Board of California's position reports show a decrease in 2021 crop receipts and a decrease in shipments compared to prior year. Almond prices have stagnated and there are fears that prices might stay low if the industry has trouble moving the 2021 crop, especially if we see the issues with California ports not improving.

Management has analyzed the material effects of transition risks related to climate change that may affect the Association's business, financial condition, and results of operations. These risks include policy and regulatory changes that could impose operational and compliance burdens, market trends that may alter business opportunities, credit risks, litigation risks or technological changes. The Association is not aware of any specific material impacts on our business, results of operations or financial condition from the effects of climate change transition risks. We have no material past or planned future capital expenditures for climate-related projects and, at this time, we are not aware of any material financial impacts from the indirect consequences of climate-related regulation or business trends.

The broader economy and marketplace continues to transition into another phase of the COVID-19 pandemic environment, accompanied by concerns related to the war in Ukraine. As the COVID-19 pandemic issues subside and issues related to the war increase, the U.S. economy remains healthy and continues to be driven by strong consumer spending. While higher consumer demand is beneficial to businesses, severe supply chain disruptions, labor shortages and the high cost of fuel are adding significant costs to business operations and these costs are likely to be passed on to the consumer. Business operating costs are still rising faster than consumer prices, so elevated inflation is a concern in 2022. From a monetary policy perspective, the Fed has announced plans to increase rates multiple times in 2022, with the first interest rate increase of 25 basis points in March 2022. Anticipation of tighter monetary policy is contributing to a stronger dollar and changes in the shape of the yield curve.

### LOAN PORTFOLIO

Loans outstanding at March 31, 2022, totaled $1.99 billion, a decrease of $5.6 million, or 0.28%, from loans of $2.00 billion at December 31, 2021. The decrease was primarily due to seasonal loan pay-downs in the first quarter of 2022.

### RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2022, was $11.9 million, an increase of $782 thousand, or 7.01%, from the same period ended one year ago. The increase is primarily due to the gain recognized on the sale of our old Chico lending office building. Note that in 2021 the Association purchased a new building to house the administration and Chico lending teams. In February 2022 these teams moved to the new building, and in March 2022 the old Chico lending office building was sold.

For the three months ended March 31, 2022, net interest income was $13.3 million, a decrease of $296 thousand, or 2.17%, compared with the three months ended March 31, 2021. Net interest income decreased as a result of significant nonaccrual interest recognized in the prior year. There has not been similar nonaccrual interest recognized in 2022.

The credit loss reversal, or reduction in the allowance for loan losses, for the three months ended March 31, 2022, was $667 thousand, an increase of $511 thousand, or 327.56%, for the same period ended one year ago. The credit loss reversal increased as a result of a decrease in the loss emergence period and management qualitative adjustment due to the absence of significant risk indicators in our audit findings in prior years.

Noninterest income increased $556 thousand during the first three months of 2022 compared with the first three months of 2021 primarily due to the gain recognized on the sale of our old Chico lending office building, as noted above. Patronage distribution from Farm Credit institutions increased in the first three months ended March 31, 2022, compared with the first three months in 2021 primarily due to an increase in CoBank patronage related to our direct note payable to CoBank, which also increased in the first quarter of 2022 compared to the first quarter of2021.

During the first three months of 2022, noninterest expense decreased $13 thousand to $5.3 million, primarily due to a decrease in salaries and benefits. Salaries and benefits decreased as a result of adjustments made to the prior year incentive accrual to reduce the accrued balance to actual at the time of payout, and increased loan origination cost deferrals. The decreases in salaries and benefits were offset by increases in occupancy and equipment expense due to additional depreciation and other expense associated with the new building. Further offsetting the decrease in salaries and benefits expense were increases in purchased services due to an increases in legal fees, IT consulting, FCSIC insurance premiums, and outsourced audit costs.

**CAPITAL RESOURCES**

Our shareholders' equity at March 31, 2022, was $379.6 million, an increase from $367.7 million at December 31, 2021. This increase is due to net income and adjustments to patronage distributions, offset by the amortization of pension gains included in the net periodic benefit cost, and net stock reductions.

**OTHER MATTERS**

On December 8, 2021, the FCA issued an informational memorandum to provide additional guidance to Farm Credit System institutions on their transition away from LIBOR. The guidance encourages Farm Credit System institutions to stop entering into new contracts that reference LIBOR as soon as practicable and in any event no later than December 31, 2021. Entering into new LIBOR-referenced contracts after that date would present safety and soundness risk. The guidance also provides clarity on what the FCA considers a new LIBOR-indexed contract; whether purchases of legacy LIBOR-indexed loans and investments are deemed new contracts; limited exceptions for entering into new LIBOR contracts that reduce or hedge risk in legacy LIBOR contracts; and the due diligence and other procedures required before using other benchmark/reference rate alternatives to LIBOR (beyond SOFR), including credit-sensitive alternative rates.

On March 15, 2022, the U.S. government passed the Consolidated Appropriations Act of 2022, which includes federal legislation regarding the LIBOR transition. The legislation provides a statutory fallback mechanism to replace LIBOR with a benchmark rate, selected by the Federal Reserve Board and based on SOFR, for certain contracts that reference LIBOR and contain no or insufficient fallback provisions. The law also provides a safe harbor for parties who select the statutory benchmark replacement rate.

While our Association currently holds legacy LIBOR indexed loans in our portfolio, we have adopted a transition plan to reduce LIBOR exposures and stop the inflow of new LIBOR volume. We have analyzed potential risks associated with the LIBOR transition, including financial, operational, legal, tax, reputational and compliance risks. Since we engage in transactions involving financial instruments that reference LIBOR, these developments did not have a material impact on the Association and our borrowers. Management has documented and worked through the LIBOR transition plan with our funding bank and service provider to address the phase out of LIBOR rates, including any updates to processes and loan servicing technology.

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.

**Michael Fry**
Chairman of the Board
May 3, 2022

**Robert Faris**
President and Chief Executive Officer
May 3, 2022

**Zach Clark**
Chief Financial Officer
May 3, 2022

## Consolidated Statement of Condition

(Dollars in Thousands)

| | March 31 2022 | December 31 2021 |
|---|---|---|
| | **UNAUDITED** | AUDITED |
| **ASSETS** | | |
| Loans | **$ 1,998,468** | $ 2,004,080 |
| Less allowance for loan losses | **3,987** | 4,689 |
| Net loans | **1,994,481** | 1,999,391 |
| Cash | **1,500** | 6,912 |
| Accrued interest receivable | **15,167** | 16,408 |
| Investment in CoBank, ACB | **54,846** | 58,251 |
| Premises and equipment, net | **8,708** | 8,409 |
| Prepaid benefit expense | **12,453** | 11,777 |
| Other assets | **11,520** | 16,867 |
| **Total assets** | **$ 2,098,675** | $ 2,118,015 |
| **LIABILITIES** | | |
| Note payable to CoBank, ACB | **$ 1,658,486** | $ 1,698,426 |
| Advance conditional payments | **34,769** | 23,678 |
| Accrued interest payable | **1,512** | 1,354 |
| Patronage distributions payable | **-** | 11,000 |
| Accrued benefits liability | **294** | 512 |
| Reserve for unfunded commitments | **393** | 358 |
| Other liabilities | **23,607** | 15,027 |
| **Total liabilities** | **1,719,061** | 1,750,355 |
| **SHAREHOLDERS' EQUITY** | | |
| Capital stock and participation certificates | **1,500** | 1,513 |
| Additional paid-in capital | **141,442** | 141,442 |
| Unallocated retained earnings | **236,610** | 224,640 |
| Accumulated other comprehensive income | **62** | 65 |
| **Total shareholders' equity** | **379,614** | 367,660 |
| **Total liabilities and shareholders' equity** | **$ 2,098,675** | $ 2,118,015 |

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

## Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

| UNAUDITED | For the three months ended March 31 2022 | 2021 |
|---|---|---|
| **INTEREST INCOME** | | |
| Loans | **$ 17,586** | $ 17,109 |
| **Total interest income** | **17,586** | 17,109 |
| **INTEREST EXPENSE** | | |
| Note payable to CoBank, ACB | **4,230** | 3,455 |
| Other | **22** | 24 |
| **Total interest expense** | **4,252** | 3,479 |
| Net interest income | **13,334** | 13,630 |
| Credit loss reversal | **(667)** | (156) |
| Net interest income after credit loss reversal | **14,001** | 13,786 |
| **NONINTEREST INCOME** | | |
| Loan fees | **106** | 427 |
| Patronage distribution from Farm Credit institutions | **2,333** | 2,182 |
| Net gain from sale of building | **686** | - |
| Other noninterest income | **96** | 56 |
| **Total noninterest income** | **3,221** | 2,665 |
| **NONINTEREST EXPENSE** | | |
| Salaries and employee benefits | **2,478** | 2,817 |
| Occupancy and equipment | **349** | 253 |
| Purchased services from AgVantis, Inc. | **703** | 608 |
| Purchased services - other | **369** | 211 |
| Farm Credit Insurance Fund premium | **634** | 545 |
| Other noninterest expense | **753** | 865 |
| **Total noninterest expense** | **5,286** | 5,299 |
| Income before income taxes | **11,936** | 11,152 |
| Provision for income taxes | **2** | - |
| **Net income** | **11,934** | 11,152 |
| **COMPREHENSIVE INCOME** | | |
| Amortization of retirement (credits)/costs | **(3)** | 3 |
| **Total comprehensive income** | **$ 11,931** | $ 11,155 |

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

## Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

| UNAUDITED | Capital Stock and Participation Certificates | Additional Paid-In Capital | Unallocated Retained Earnings | Accumulated Other Comprehensive Income/(Loss) | Total Shareholders' Equity |
|---|---|---|---|---|---|
| **Balance at December 31, 2020** | $ 1,500 | $ 141,442 | $ 200,541 | $ 55 | $ 343,538 |
| Comprehensive income | | | 11,152 | 3 | 11,155 |
| Stock and participation certificates issued | 37 | | | | 37 |
| Stock and participation certificates retired | (33) | | | | (33) |
| Patronage Distributions: Reversal of Patronage | | | 51 | | 51 |
| **Balance at March 31, 2021** | $ 1,504 | $ 141,442 | $ 211,744 | $ 58 | $ 354,748 |
| | | | | | |
| **Balance at December 31, 2021** | $ 1,513 | $ 141,442 | $ 224,640 | $ 65 | $ 367,660 |
| Comprehensive income | | | 11,934 | (3) | 11,931 |
| Stock and participation certificates issued | 30 | | | | 30 |
| Stock and participation certificates retired | (43) | | | | (43) |
| Patronage Distributions: Reversal of Patronage | | | 36 | | 36 |
| **Balance at March 31, 2022** | **$ 1,500** | **$ 141,442** | **$ 236,610** | **$ 62** | **$ 379,614** |

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

## NOTES TO FINANCIAL STATEMENTS
(Unaudited)

### NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Golden State Farm Credit, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2021, are contained in the 2021 Annual Report to Shareholders. These unaudited first quarter 2022 financial statements should be read in conjunction with the 2021 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, 2021, as contained in the 2021 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, 2022. Descriptions of the significant accounting policies are included in the 2021 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.

#### Recently Adopted or Issued Accounting Pronouncements

In June 2016, the FASB issued guidance entitled “Measurement of Credit Losses on Financial Instruments.” The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB approved deferral of the effective date for certain entities for this guidance by two years, which will result in the new credit loss standard becoming effective for interim and annual reporting periods beginning after December 15, 2022 with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on the Association’s financial condition and its results of operations.

**NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES**

A summary of loans follows.

| *(dollars in thousands)* | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Real estate mortgage | **$ 1,524,248** | $ 1,533,171 |
| Production and intermediate-term | **319,423** | 331,691 |
| Agribusiness | **94,928** | 80,440 |
| Rural infrastructure | **35,690** | 33,170 |
| Rural residential real estate | **42** | 45 |
| Lease receivables | **24,137** | 25,563 |
| Total loans | **$ 1,998,468** | $ 2,004,080 |

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 the balances of participations purchased and sold at March 31, 2022:

| | Other Farm Credit Institutions | | Non-Farm Credit Institutions | | Total | |
|---|---|---|---|---|---|---|
| *(dollars in thousands)* | Purchased | Sold | Purchased | Sold | Purchased | Sold |
| Real estate mortgage | **$ 65,865** | $ 304,669 | $ - | $ - | $ 65,865 | $ 304,669 |
| Production and intermediate-term | **45,480** | 180,090 | - | - | 45,480 | 180,090 |
| Agribusiness | **70,960** | 4,747 | - | - | 70,960 | 4,747 |
| Rural infrastructure | **35,690** | - | - | - | 35,690 | - |
| Lease receivables | **22,484** | 61 | - | - | 22,484 | 61 |
| Total | **$ 240,479** | $ 489,567 | $ - | $ - | $ 240,479 | $ 489,567 |

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.
- Loss – assets are considered uncollectible.

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

| | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Real estate mortgage | | |
| Acceptable | **97.87%** | 97.85% |
| OAEM | **1.63%** | 1.74% |
| Substandard | **0.50%** | 0.41% |
| Total | **100.00%** | 100.00% |
| Production and intermediate-term | | |
| Acceptable | **99.04%** | 98.76% |
| OAEM | **0.82%** | 0.98% |
| Substandard | **0.14%** | 0.26% |
| Total | **100.00%** | 100.00% |
| Agribusiness | | |
| Acceptable | **84.76%** | 85.39% |
| OAEM | **15.24%** | 14.61% |
| Total | **100.00%** | 100.00% |
| Rural infrastructure | | |
| Acceptable | **100.00%** | 100.00% |
| Total | **100.00%** | 100.00% |
| Rural residential real estate | | |
| Acceptable | **100.00%** | 100.00% |
| Total | **100.00%** | 100.00% |
| Lease receivables | | |
| Acceptable | **95.37%** | 95.63% |
| OAEM | **0.02%** | 0.03% |
| Substandard | **4.61%** | 4.34% |
| Total | **100.00%** | 100.00% |
| Total Loans | | |
| Acceptable | **97.44%** | 97.51% |
| OAEM | **2.10%** | 2.08% |
| Substandard | **0.46%** | 0.41% |
| Total | **100.00%** | 100.00% |

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

| *(dollars in thousands)* | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Nonaccrual loans | | |
| Real estate mortgage | **$ 1,318** | $ 1,375 |
| Production and intermediate-term | **359** | 361 |
| Lease receivables | **9** | 16 |
| Total nonaccrual loans | **$ 1,686** | $ 1,752 |
| Accruing restructured loans | | |
| Real estate mortgage | **$ 228** | $ 229 |
| Total accruing restructured loans | **$ 228** | $ 229 |
| Accruing loans 90 days past due | | |
| Real estate mortgage | **$ 207** | $ - |
| Total accruing loans 90 days past due | **$ 207** | $ - |
| Total impaired loans | **$ 2,121** | $ 1,981 |
| Total high risk assets | **$ 2,121** | $ 1,981 |

Additional impaired loan information is as follows:

| (dollars in thousands) | **March 31, 2022** Recorded Investment | **March 31, 2022** Unpaid Principal Balance | **March 31, 2022** Related Allowance | December 31, 2021 Recorded Investment | December 31, 2021 Unpaid Principal Balance | December 31, 2021 Related Allowance |
|---|---|---|---|---|---|---|
| Impaired loans with a related allowance for loan losses: | | | | | | |
| Production and intermediate-term | **$ 11** | **$ 11** | **$ 11** | $ 361 | $ 290 | $ 11 |
| Lease receivables | **9** | **9** | **9** | 16 | 16 | 16 |
| Total | **$ 20** | **$ 20** | **$ 20** | $ 377 | $ 306 | $ 27 |
| Impaired loans with no related allowance for loan losses: | | | | | | |
| Real estate mortgage | **$ 1,753** | **$ 1,723** | | $ 1,604 | $ 1,563 | |
| Production and intermediate-term | **348** | **277** | | - | - | |
| Total | **$ 2,101** | **$ 2,000** | | $ 1,604 | $ 1,563 | |
| Total impaired loans: | | | | | | |
| Real estate mortgage | **$ 1,753** | **$ 1,723** | **$ -** | $ 1,604 | $ 1,563 | $ - |
| Production and intermediate-term | **359** | **288** | **11** | 361 | 290 | 11 |
| Lease receivables | **9** | **9** | **9** | 16 | 16 | 16 |
| Total | **$ 2,121** | **$ 2,020** | **$ 20** | $ 1,981 | $ 1,869 | $ 27 |

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

| (dollars in thousands) | **For the Three Months Ended March 31, 2022** Average Impaired Loans | **For the Three Months Ended March 31, 2022** Interest Income Recognized | For the Three Months Ended March 31, 2021 Average Impaired Loans | For the Three Months Ended March 31, 2021 Interest Income Recognized |
|---|---|---|---|---|
| Impaired loans with a related allowance for loan losses: | | | | |
| Production and intermediate-term | **$ 354** | **$ -** | $ 791 | $ - |
| Lease receivables | **16** | **-** | 80 | - |
| Total | **$ 370** | **$ -** | $ 871 | $ - |
| Impaired loans with no related allowance for loan losses: | | | | |
| Real estate mortgage | **$ 1,569** | **$ 6** | $ 23,947 | $ 1,430 |
| Production and intermediate-term | **107** | **-** | 280 | - |
| Total | **$ 1,676** | **$ 6** | $ 24,227 | $ 1,430 |
| Total impaired loans: | | | | |
| Real estate mortgage | **$ 1,569** | **$ 6** | $ 23,947 | $ 1,430 |
| Production and intermediate-term | **461** | **-** | 1,071 | - |
| Lease receivables | **16** | **-** | 80 | - |
| Total | **$ 2,046** | **$ 6** | $ 25,098 | $ 1,430 |

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

| *(dollars in thousands)* | 30-89 Days Past Due | 90 Days or More Past Due | Total Past Due | Not Past Due or less than 30 Days Past Due | Recorded Investment in Loans | Recorded Investment Accruing Loans 90 Days or More Past Due |
|---|---|---|---|---|---|---|
| | **March 31, 2022** | | | | | |
| Real estate mortgage | $ 4,641 | $ 955 | $ 5,596 | $ 1,531,136 | $ 1,536,732 | $ 207 |
| Production and intermediate-term | 5,845 | 359 | 6,204 | 315,428 | 321,632 | - |
| Agribusiness | - | - | - | 95,279 | 95,279 | - |
| Rural infrastructure | - | - | - | 35,717 | 35,717 | - |
| Rural residential real estate | - | - | - | 42 | 42 | - |
| Lease receivables | 14 | - | 14 | 24,219 | 24,233 | - |
| Total | $ 10,500 | $ 1,314 | $ 11,814 | $ 2,001,821 | $ 2,013,635 | $ 207 |

| *(dollars in thousands)* | 30-89 Days Past Due | 90 Days or More Past Due | Total Past Due | Not Past Due or less than 30 Days Past Due | Recorded Investment in Loans | Recorded Investment Accruing Loans 90 Days or More Past Due |
|---|---|---|---|---|---|---|
| | **December 31, 2021** | | | | | |
| Real estate mortgage | $ 128 | $ 720 | $ 848 | $ 1,546,201 | $ 1,547,049 | $ - |
| Production and intermediate-term | 1,112 | 361 | 1,473 | 332,336 | 333,809 | - |
| Agribusiness | - | - | - | 80,747 | 80,747 | - |
| Rural infrastructure | - | - | - | 33,173 | 33,173 | - |
| Rural residential real estate | - | - | - | 45 | 45 | - |
| Lease receivables | - | - | - | 25,665 | 25,665 | - |
| Total | $ 1,240 | $ 1,081 | $ 2,321 | $ 2,018,167 | $ 2,020,488 | $ - |

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

| *(dollars in thousands)* | Balance at December 31, 2021 | Charge-offs | Recoveries | Provision for Loan Losses/ (Loan Loss Reversals) | Balance at March 31, 2022 |
|---|---|---|---|---|---|
| Real estate mortgage | $ 1,158 | $ - | $ - | $ (220) | $ 938 |
| Production and intermediate-term | 2,102 | - | - | (296) | 1,806 |
| Agribusiness | 937 | - | - | (98) | 839 |
| Rural infrastructure | 100 | - | - | 9 | 109 |
| Lease receivables | 392 | - | - | (97) | 295 |
| Total | $ 4,689 | $ - | $ - | $ (702) | $ 3,987 |

| *(dollars in thousands)* | Balance at December 31, 2020 | Charge-offs | Recoveries | Provision for Loan Losses/ (Loan Loss Reversals) | Balance at March 31, 2021 |
|---|---|---|---|---|---|
| Real estate mortgage | $ 707 | $ - | $ - | $ 303 | $ 1,010 |
| Production and intermediate-term | 2,644 | - | - | (507) | 2,137 |
| Agribusiness | 671 | - | - | 109 | 780 |
| Rural infrastructure | 115 | - | - | (9) | 106 |
| Lease receivables | 528 | - | - | (30) | 498 |
| Total | $ 4,665 | $ - | $ - | $ (134) | $ 4,531 |

The Association maintains a separate reserve for unfunded commitments, which is included in Liabilities on the Association's Consolidated Statement of Condition. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the Consolidated Statement of Comprehensive Income, along with the provision for loan losses. A summary of changes in the reserve for unfunded commitments follows:

| | For the Three Months Ended March 31 | |
|---|---|---|
| *(dollars in thousands)* | **2022** | 2021 |
| Balance at beginning of period | **$ 358** | $ 430 |
| Provision for/(Reversal of) reserve for unfunded commitment | **35** | (22) |
| Total | **$ 393** | $ 408 |

Additional information on the allowance for loan losses follows:

| (dollars in thousands) | Allowance for Loan Losses Ending Balance at March 31, 2022 | | Recorded Investments in Loans Outstanding Ending Balance at March 31, 2022 | |
|---|---|---|---|---|
| | Individually evaluated for impairment | Collectively evaluated for impairment | Individually evaluated for impairment | Collectively evaluated for impairment |
| Real estate mortgage | $ - | $ 938 | $ 1,753 | $ 1,534,979 |
| Production and intermediate-term | 11 | 1,795 | 359 | 321,273 |
| Agribusiness | - | 839 | - | 95,279 |
| Rural infrastructure | - | 109 | - | 35,717 |
| Rural residential real estate | - | - | - | 42 |
| Lease receivables | 9 | 286 | 9 | 24,224 |
| Total | $ 20 | $ 3,967 | $ 2,121 | $ 2,011,514 |

| (dollars in thousands) | Allowance for Loan Losses Ending Balance at December 31, 2021 | | Recorded Investments in Loans Outstanding Ending Balance at December 31, 2021 | |
|---|---|---|---|---|
| | Individually evaluated for impairment | Collectively evaluated for impairment | Individually evaluated for impairment | Collectively evaluated for impairment |
| Real estate mortgage | $ - | $ 1,158 | $ 1,604 | $ 1,545,445 |
| Production and intermediate-term | 11 | 2,091 | 361 | 333,448 |
| Agribusiness | - | 937 | - | 80,747 |
| Rural infrastructure | - | 100 | - | 33,173 |
| Rural residential real estate | - | - | - | 45 |
| Lease receivables | 16 | 376 | 16 | 25,649 |
| Total | $ 27 | $ 4,662 | $ 1,981 | $ 2,018,507 |

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider.

The Association recorded no TDRs during the three months ended March 31, 2022 or March 31, 2021.

The Association had no TDRs within the previous 12 months and for which there were subsequent payment defaults during the first three months of 2022 and 2021.

There were no additional commitments to lend to borrowers whose loans have been modified in troubled debt restructuring at March 31, 2022 and December 31, 2021.

The following table provides information on outstanding loans restructured in troubled debt restructurings at period end. These loans are included as impaired loans in the impaired loan table.

| | Loans modified as TDRs | | TDRs in Nonaccrual Status* | |
|---|---|---|---|---|
| *(dollars in thousands)* | **March 31, 2022** | December 31, 2021 | **March 31, 2022** | December 31, 2021 |
| Real estate mortgage | **$ 228** | $ 229 | **$ -** | $ - |
| Production and intermediate-term | **348** | 351 | **348** | 351 |
| Total | **$ 576** | $ 580 | **$ 348** | $ 351 |

* Represents the portion of loans modified as TDRs (first column) that are in nonaccrual status.

## NOTE 3 - CAPITAL

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

| | As of March 31, 2022 | As of December 31, 2021 | Regulatory Minimums | Capital Conservation Buffer | Total |
|---|---|---|---|---|---|
| Risk Adjusted: | | | | | |
| Common equity tier 1 ratio | 14.48% | 14.03% | 4.5% | 2.5% | 7.0% |
| Tier 1 capital ratio | 14.48% | 14.03% | 6.0% | 2.5% | 8.5% |
| Total capital ratio | 14.71% | 14.26% | 8.0% | 2.5% | 10.5% |
| Permanent capital ratio | 14.51% | 14.06% | 7.0% | - | 7.0% |
| | | | | | |
| Non-risk-adjusted: | | | | | |
| Tier 1 leverage ratio | 15.57% | 15.10% | 4.0% | 1.0% | 5.0% |
| Unallocated retained earnings and equivalents leverage ratio | 15.49% | 16.76% | 1.5% | - | 1.5% |

If capital ratios fall below the regulatory minimum plus buffer amounts, capital distributions (equity redemptions, cash dividend payments, and cash patronage payments) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

The following tables present the activity in the accumulated other comprehensive income/loss, net of tax by component:

| | For the Three Months Ended March 31 | |
|---|---|---|
| *(dollars in thousands)* | **2022** | 2021 |
| Pension and other benefit plans: | | |
| Beginning balance | **$ 65** | $ 55 |
| Amounts reclassified from accumulated other comprehensive income/(loss) | **(3)** | 3 |
| Net current period other comprehensive income/(loss) | **(3)** | 3 |
| Ending balance | **$ 62** | $ 58 |

The following table represents reclassifications out of accumulated other comprehensive income/loss.

| | Amount Reclassified from Accumulated Other Comprehensive Income/Loss | | Location of Gain/Loss Recognized in Statement of Income |
|---|---|---|---|
| | For the Three Months Ended March 31 | | |
| *(dollars in thousands)* | **2022** | 2021 | |
| Pension and other benefit plans: | | | |
| Net actuarial gain/(loss) | **$ (3)** | $ 3 | Salaries and employee benefits |
| Total reclassifications | **$ (3)** | $ 3 | |

## NOTE 4 - FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 of the 2021 Annual Report to Shareholders for a more complete description.

Assets measured at fair value on a recurring basis are summarized below:

| *(dollars in thousands)* | Fair Value Measurement Using Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---|---|---|---|
| Assets held in nonqualified benefits trusts | | | | |
| **March 31, 2022** | **$ 63** | **$ -** | **$ -** | **$ 63** |
| December 31, 2021 | $ 60 | $ - | $ - | $ 60 |

The Association had no liabilities measured at fair value on a recurring basis at March 31, 2022 or December 31, 2021.

The Association had no assets or liabilities measured at fair value on a non-recurring basis at March 31, 2022 or December 31, 2021.

**Valuation Techniques**

As more fully discussed in Note 2 of the 2021 Annual Report to Shareholders, accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following presents a brief summary of the valuation techniques used by the Association for assets and liabilities, subject to fair value measurement.

*Assets Held in Non-Qualified Benefits Trusts*

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

*Loans Evaluated for Impairment*

For impaired loans measured on a non-recurring basis, the fair value is based upon the underlying collateral since the loans are collateral dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases, it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

## NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 3, 2022, which is the date the financial statements were issued, and no material subsequent events were identified.

# GOLDEN STATE  FARM CREDIT, ACA

The shareholders' investment in Golden State Farm Credit, ACA is materially affected by the financial condition and results of operations of CoBank, ACB, (CoBank). The 2021 CoBank Annual Report to Shareholders, and the CoBank quarterly shareholders' 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:

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**3013 Ceres Avenue, Chico, CA 95973**
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**Proudly Serving Our Local Communities in**
**Chico, Hanford, Kingsburg, Red Bluff and Willows**

www.goldenstatefarmcredit.com