

NORTHERN CALIFORNIA FARM CREDIT, ACA
QUARTERLY FINANCIAL STATEMENTS

**MANAGEMENT DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS
OF OPERATIONS**

Farm Credit Administration regulations require each Association to report quarterly to shareholders on the financial condition of the institution. Association reports are available to the public at each Association office at no charge. These financial statements were prepared under the oversight of the Association's audit committee.

FINANCIAL CONDITION AND RESULTS OF OPERATIONS:

Total assets decreased by approximately \$15.0 million compared to the prior year end. Loans and accrued interest receivable accounted for the majority share of the change.

Both were due primarily to pay downs and seasonal fluctuations. A portion of the loan portfolio consists of loan participations purchased. The association purchased participations in the amount of \$23.4 million and sold portions of loans totaling \$12.5 million at period end.

During this same time period, total liabilities decreased by approximately \$18.8 million, while capital increased about \$3.8 million. The decrease in liabilities was caused primarily by decreases in the direct note offset by an increase in advance conditional payments. The continued volatility in financial markets has increased demand for usage of the advance conditional payment funds. Capital stock remained static during this time period, while surplus increased from earnings.

Credit quality remained positive with 99% acceptable and special mention at June 30, 2011. Nonaccrual loans stood at a balance of \$101 thousand at period end, down from a balance of \$402 thousand at year end 2010. The decrease is attributable primarily to loan payments and transfer to acquired property. Current nonaccrual levels should have no undue adverse affects on the Association's earning base.

For the period ended June 30, 2011, net interest income increased when compared to one year earlier due primarily to higher interest rate spreads.

Other income increased \$837 thousand due to patronage received from AgBank of \$1,537 thousand. Additionally, during the first quarter of 2010, we received our allocated portion of a distribution of \$459 thousand from Farm Credit System Insurance company (FCSIC), which offset the increase in other income. The aggregate effect of all the changes in individual categories resulted in an increase to net income of \$1,264 thousand.

Please remember that results for interim periods are not necessarily indicative of results to be expected for the year. The board and management thank you for your continued patronage.

STATEMENT OF CONDITION
(Dollars in thousands)


	June 30 2011 (unaudited)	December 31 2010
ASSETS		
Loans	\$410,560	\$426,709
Less allowance for loan losses	(2,500)	(2,480)
Net Loans	\$408,060	\$424,229
Cash	193	1,007
Accrued interest receivable	5,121	3,261
Investment in U.S. AgBank	8,102	8,102
Premises & equipment, net	1,322	1,337
Other assets	701	589
Total assets	<u>\$423,499</u>	<u>\$438,525</u>
LIABILITIES		
Note payable to U.S. AgBank	\$321,728	\$348,827
Accrued interest payable to US AgBank	1,424	3,079
Advance conditional payments	20,379	11,007
Patronage distributions payable	1,300	1,800
Other liabilities	1,765	673
Total liabilities	<u>\$346,596</u>	<u>\$365,386</u>
CAPITAL		
Capital stock and participation certificates	967	973
Unallocated retained earnings	75,936	72,166
Total capital	<u>76,903</u>	<u>73,139</u>
Total liabilities & capital	<u>\$423,499</u>	<u>\$438,525</u>

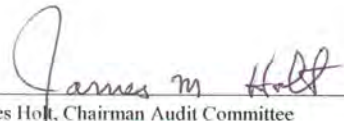
STATEMENT OF INCOME (Unaudited)
(Dollars in thousands)

	For the three months ended		For the six months ended	
	June 30		June 30	
	(Unaudited)		(Unaudited)	
	2011	2010	2011	2010
INTEREST INCOME				
Interest income	\$4,366	\$4,644	\$8,712	\$9,122
Interest expense	1,229	1,688	2,553	3,338
Net interest income	<u>3,137</u>	<u>2,956</u>	<u>6,159</u>	<u>5,784</u>
Patronage refunds	\$0	\$0	1,565	240
Miscellaneous income	42	29	54	542
Total other income	<u>42</u>	<u>29</u>	<u>1,619</u>	<u>782</u>
Salaries & employee benefits	793	841	1,811	1,862
Occupancy & equipment	37	52	82	96
Losses on other property owned, net	19	0	19	0
Farm Credit Insurance fund premium	50	(6)	106	97
Other noninterest expense	307	303	686	681
Total noninterest expense	<u>1,206</u>	<u>1,190</u>	<u>2,704</u>	<u>2,736</u>
Income before taxes	1,973	1,795	5,074	3,830
Provision for income taxes	3	18	4	24
Net income	<u>\$1,970</u>	<u>\$1,777</u>	<u>\$5,070</u>	<u>\$3,806</u>

STATEMENT OF CHANGES IN CAPITAL (Unaudited)
Six months ended June 2010 & 2011
(Dollars in thousands)

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Total Capital
Balance at December 31, 2009	\$960	\$67,476	\$68,436
Net income		3,806	3,806
Stock and participation certificates issued	43		43
Stock and participation certificates retired	(48)		(48)
Patronage Distributions: Cash		(966)	(966)
Balance at June 30, 2010	<u>\$955</u>	<u>\$70,316</u>	<u>\$71,271</u>
Balance at December 31, 2010	\$973	\$72,166	\$73,139
Net income (loss)		5,070	\$5,070
Issuances	59		59
Retirements	(65)		(65)
Patronage Distributions: Cash		(1,300)	(1,300)
Balance at June 30, 2011	<u>\$967</u>	<u>\$75,936</u>	<u>\$76,903</u>


Bruce V. Strickler, President


James Holt, Chairman Audit Committee


Thomas B. Martin, Chairman

NOTES TO FINANCIAL STATEMENTS**NOTE 1 - ORGANIZATION & OPERATIONS:**

A description of the organization and operations of Northern California Farm Credit, ACA, the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2010, are contained in the 2010 Annual Report to Shareholders. These unaudited second quarter 2011 financial statements should be read in conjunction with the 2010 Annual Report to Shareholders.

The shareholders' investment in Northern California Farm Credit, ACA is materially affected by the financial condition and results of operations of U.S. AgBank, FCB, (AgBank). The 2010 U.S. AgBank District Annual Report to Shareholders, the 2010 U.S. AgBank District Annual Report to Shareholders, the U.S. AgBank quarterly shareholders' reports and the U.S. AgBank District quarterly shareholders' reports are available free of charge by accessing AgBank's website, www.usagbank.com, or may be obtained at no charge by contacting us at 3435 Silverbell Road, Chico, CA 95927 or calling (530) 895-8698.

In December 2010, U.S. AgBank, FCB (AgBank), Northern California Farm Credit, ACA's funding bank and CoBank executed a Letter of Intent to merge. The merged bank will continue to do business under the CoBank name and be headquartered in Colorado but will maintain AgBank's existing presence and operations in Wichita, Kansas, and Sacramento, California. In June 2011, the Farm Credit Administration (FCA) voted to grant preliminary approval of the proposed plan of merger between the two banks. The FCA serves as the independent regulator for both banks and the rest of the Farm Credit System. AgBank distributed disclosure and voting materials to its stockholder associations in July, with completed merger ballots due to be returned by September 7, 2011. The boards of the two banks have approved a merger effective date of January 1, 2012. The Association does not expect there to be any material negative impact to its operations as a result of the merger.

The accompanying financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations, and conform with generally accepted accounting principles and prevailing practices within the banking industry. The results for the six months ended June 30, 2011 are not necessarily indicative of the results to be expected for the year ended December 31, 2011.

NOTE 2 - ALLOWANCE FOR LOAN LOSSES:

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

	Six months ended June 30,	
	2011	2010
Balance, beginning	\$2,480	\$2,294
Provision for loan losses	0	0
Recoveries	20	0
Loans charged off	0	0
Balance, ending	\$2,500	\$2,294

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. The following presents information relating to impaired loans including accrued interest:

	June 30, 2011	
	2011	2010
Impaired loans with related allowance	50	0
Impaired loans with no related allowance	51	724
Total impaired loans	101	724
Allowance on impaired loans	20	44

NOTE 3 - CAPITALIZATION REQUIREMENTS:

FCA's capital adequacy regulations require the Association to achieve permanent capital of 7% of risk-adjusted assets and off-balance-sheet commitments. Please refer to the notes to the financial statements of the Annual Report to Shareholders for a full explanation of capital requirements. FCA regulations also require that additional minimum standards for capital be achieved. These standards require all System institutions to achieve and maintain ratios of total surplus as a percentage of risk-adjusted assets of 7% and of core surplus (generally unallocated surplus) as a percentage of risk-adjusted assets of 3.5%. The Association's permanent capital, core surplus and total surplus ratios were as follows:

June 30, 2011	
Permanent Capital Ratio:	16.26%
Core Surplus Ratio:	14.94%
Total Surplus Ratio:	16.05%

NOTE 4 - FAIR VALUE INSTRUMENTS:

FASB 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. See Note 2 to the Annual Report to Shareholders for a more complete description.

Assets measured at fair value on a non-recurring basis for each of the fair value hierarchy values are summarized below:

	Fair Value Measurement Using			Total Fair Value	Total Gains/(Losses)
	Level 1	Level 2	Level 3		
Assets:					
June 30, 2011					
Loans	0	0	101	101	(20)
Other property owned	0	0	185	185	13
December 31, 2010					
Loans	0	0	402	402	(20)
Other property owned	0	0	0	0	0

NOTE 5 - SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through August 3, 2011, which is the date the financial statements were available to be issued, and no material subsequent events were identified.