

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. Additionally, copies of the U. S. AgBank's Reports to Shareholders may be obtained free of charge by contacting the U.S. AgBank, P O Box 2940, Wichita, KS 67201; telephone (800) 322-5633. The stockholder's investment is materially affected by the financial condition and results of operations of the U.S. Agbank. 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 \$11.0 million compared to the prior year end. Loans, offset somewhat by an increase in accrued interest receivable, accounted for the lion's share of the change. The change was due primarily to paydowns and lesser demand. A portion of the loan portfolio consists of loan participations purchased. The association purchased participations in the amount of \$23.2 million and sold portions of loans totaling \$12.8 million at period end.

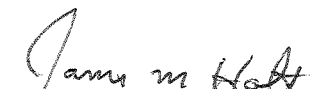
During this same time period, total liabilities decreased by approximately \$15.2 million, while capital increased about \$4.6 million. The decrease in liabilities was caused primarily by decreases in the direct note, which mirrors the movement of loans. Capital stock increased slightly during this time period, while surplus increased from earnings.

Credit quality remained positive with 99% acceptable and special mention at September 30, 2010. nonaccrual loans stood at a balance of \$422 thousand at period end, up from a balance of \$260 thousand at year end 2009. The increase is attributable primarily to one additional loan complex moving into nonaccrual status. Current nonaccrual levels should have no undue adverse effects on the Association's earning base.

For the period ended September 30, 2010, net interest income increased \$0.4 million when compared to one year earlier due primarily to higher Interest rate spreads. The change in patronage refund is due to the US Agbank paying no patronage dividend in 2009; but, paying again in 2010. The large increase in Misc income and the large decrease in Insurance Fund Prem is due to refunds from the FCSIC as the insurance fund had exceeded the secure base. See more info regarding FCSIC insurance in the 2009 Annual Report. All other income and expense items remained fairly static resulting in an increase in net income of \$1.3 million when compared to last year.

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.

  
Bruce V. Strickler, President

  
James Holt, Chairman Audit Committee

  
George Swaner, Chairman

**STATEMENT OF CONDITION**  
(Dollars in thousands)

	Sep-30 2010	December 31 2009
	(unaudited)	
<b>ASSETS</b>		
Loans	\$421,967	\$436,492
Less allowance for loan losses	(2,250)	(2,294)
Net Loans	\$419,717	\$434,198
Cash	660	637
Accrued interest receivable	7,278	3,104
Investment in U.S. AgBank	8,102	8,102
Premises & equipment, net	1,316	1,315
Other assets	524	799
Total assets	\$437,597	\$448,155
<b>LIABILITIES</b>		
Note payable to U.S. AgBank	345,041	357,784
Accrued interest payable to US Agbank	2,462	3,372
Advance conditional payments	15,344	15,433
Patronage distributions payable	1,000	1,800
Other liabilities	678	1,330
Total liabilities	\$364,525	\$379,719
<b>CAPITAL</b>		
Capital stock and participation certificates	972	960
Unallocated retained earnings	72,100	67,476
Total capital	73,072	68,436
Total liabilities & capital	\$437,597	\$448,155

**STATEMENT OF INCOME (Unaudited)**  
(Dollars in thousands)

	For the three months ended Sep 30 (Unaudited)		For the nine months ended Sep 30 (Unaudited)	
	2010	2009	2010	2009
<b>INTEREST INCOME</b>				
Interest income	\$4,723	\$4,690	\$13,846	\$13,465
Interest Expense	1,695	1,770	5,033	5,089
Net interest income	3,028	2,920	8,813	8,376
Patronage refund from US Agbank	\$0	\$0	\$240	\$0
Miscellaneous Income	31	31	566	192
Total other income	31	31	806	192
Salaries & Employee Benefits	942	829	2,805	2,747
Occupancy & Equipment	24	35	122	114
Insurance Fund Premium	51	186	147	536
Other Expense	277	410	950	894
Total Other Expense	1,294	1,460	4,024	4,291
Income before taxes	1,765	1,491	5,595	4,277
Provision for income taxes	(18)	11	5	4
Net income	\$1,783	\$1,480	\$5,590	\$4,273

**STATEMENT OF CHANGES IN CAPITAL (Unaudited)**  
Nine months ended Sep 2009 & 2010  
(Dollars in thousands)

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Total Capital
Balance at December 31, 2008	\$936	\$64,440	\$65,376
Patronage refund payable		(800)	(800)
Net income (loss)		4,273	\$4,273
Issuances	104		104
Retirements	(67)		(67)
Balance at September 30, 2009	\$973	\$67,913	\$68,886
Balance at December 31, 2009	\$960	\$67,476	\$68,436
Patronage refund payable		(1,000)	(1,000)
Net income (loss)		5,590	\$5,590
Issuances	77		77
Retirements	(65)		(65)
Other		34	34
Balance at June 30, 2010	\$972	\$72,100	\$73,072

The accompanying notes are an integral part of these financial statements

**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, 2009, are contained in the 2009 Annual Report to Shareholders. These unaudited financial statements should be read in conjunction with the aforementioned Annual Report and contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles. The results of operations for the current period ended are not necessarily indicative of the results to be expected for the full year.

**NOTE 2 - ALLOWANCE FOR LOAN LOSSES:**

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

	Nine months ended September 30,	
	2010	2009
Balance, beginning	\$2,294	\$2,053
Provision for loan losses	0	0
Recoveries	1	0
Loans charged off	45	0
Balance, ending	\$2,250	\$2,053

	Jun-30	
	2010	2009
Recorded investment in loans that were impaired under SFAS 114:	422	285
Allowance for loan losses on impaired loans at period end:	0	0

**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:

September 30, 2010	
Permanent Capital Ratio:	14.55%
Total Surplus Ratio:	14.34%
Core Surplus Ratio:	13.41%

**NOTE 4 - SUBSEQUENT EVENTS**

The Association has evaluated subsequent events through September 30, 2010 which is the date the financial statements were issued.