



2023 Quarterly Report

September 30, 2023



Quarterly Report

September 30, 2023

AgWest Farm Credit, ACA

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following commentary is a review of the consolidated financial condition and results of operations of AgWest Farm Credit, an Agricultural Credit Association (ACA) and its wholly-owned subsidiaries (collectively referred to as AgWest) for the three and nine months ended September 30, 2023. These comments should be read in conjunction with the unaudited consolidated financial statements and related notes included in this report, as well as the 2022 Northwest Farm Credit Services (Northwest FCS) Annual Report to Stockholders. Dollar amounts are in thousands unless otherwise noted.

AgWest and its predecessors' quarterly and annual reports to stockholders may be obtained free of charge on AgWest's website, www.AgWestFC.com, or upon request at AgWest Farm Credit, ACA, P.O. Box 2515, Spokane, Washington 99220-2515, by telephone at (509) 340-5300, or toll free at (800) 743-2125. Additionally, the financial condition and results of operations of CoBank, ACB (CoBank), may materially affect the risk associated with stockholder investments in AgWest. Stockholders of AgWest may obtain copies of CoBank's financial statements free of charge by accessing CoBank's website, www.cobank.com, or upon request at AgWest.

The Consolidated Financial Statements were prepared under the oversight of the Audit Committee.

Forward-Looking Statements

Certain statements contained in this report that are not historical facts are 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 "believes," "could," "estimates," "anticipates," "may," "should," "will," or other variations of these terms or similar expressions are intended to identify forward-looking statements. These statements are based on assumptions and analyses made in light of experience, historical trend, current conditions, and expected future developments. However, actual results and developments may differ materially from AgWest's expectations and predictions due to a number of risks and uncertainties that are beyond its control. These risks and uncertainties include, but are not limited to merger integration, fluctuations in the economy, the relative strengths and weaknesses in the agricultural credit sectors and the real estate market, and the actions taken by the Federal Reserve in implementing monetary policy.

Merger Activity

Effective January 1, 2023, Farm Credit West, ACA and its PCA and FLCA subsidiaries (Farm Credit West) merged with and into Northwest FCS (the continuing association) and its respective PCA and FLCA subsidiaries, whereupon all shareholders of Farm Credit West became shareholders of the continuing association. Additionally, upon the effective date of the merger, the continuing association and its PCA and FLCA subsidiaries changed their names to AgWest Farm Credit, ACA, AgWest Farm Credit, PCA and AgWest Farm Credit, FLCA, respectively (AgWest). AgWest is headquartered in Spokane, Washington. AgWest serves customers in Alaska, Arizona, California, Idaho, Montana, Nevada, North Dakota, Oregon and Washington.

The effects of the merger are included in AgWest's financial position, results of operations, equity, and related metrics beginning January 1, 2023. Upon the closing of the merger, assets increased by \$14.3 billion (including loans of \$12.7 billion), liabilities increased by \$12.1 billion, and members' equity increased by \$2.2 billion. These amounts include adjustments to fair value, as required by accounting standards for business combinations. For additional information, refer to Note 1 to the Consolidated Financial Statements.

Results of Operations

Net income for the three months ended September 30, 2023, was \$175.5 million compared to \$88.0 million for the same period of the prior year. Net income for the nine months ended September 30, 2023, was \$490.7 million compared to \$258.3 million for the same period of the prior year. The merger significantly impacted the results of operations. The

increase for the three and nine month comparative periods was primarily due to increases in net interest income and noninterest income, partially offset by an increase in noninterest expense and an increase in the provision for credit losses.

Net interest income was \$211.0 million for the three months ended September 30, 2023, compared to \$106.7 million for the same period of the prior year. Net interest income was \$624.2 million for the nine months ended September 30, 2023, compared to \$308.6 million for the same period of the prior year. The increase in net interest income for the three and nine month comparative periods was primarily due to the merger and a rising interest rate environment. As a result of the merger, net business combination discounts were recorded on the acquired loans, investments and debt. The net business combination discounts on loans and investments are accreted to interest income and are partially offset by the amortization of the net business combination discount recorded on the acquired debt to interest expense. For the three months ended September 30, 2023, there was \$34.6 million accreted to income and \$21.8 million amortized into interest expense. For the nine months ended September 30, 2023, \$109.8 million was accreted to interest income and \$80.8 million amortized into interest expense.

Net interest margin is a measure of the interest earned on assets compared to interest paid on interest bearing liabilities. Net interest margin and related average balances follow:

<i>For the three months ended September 30,</i>	2023	2022
Net interest income	\$ 210,987	\$ 106,657
Average balances:		
Total loans	\$ 27,656,693	\$ 14,116,392
Investment securities	1,742,563	503,260
Average interest earning assets	\$ 29,399,256	\$ 14,619,652
Average interest bearing liabilities	\$ 24,910,015	\$ 12,055,052
Net interest margin	2.85%	2.89%

<i>For the nine months ended September 30,</i>	2023	2022
Net interest income	\$ 624,176	\$ 308,565
Average balances:		
Total loans	\$ 27,092,313	\$ 14,004,616
Investment securities	1,638,448	462,132
Average interest earning assets	\$ 28,730,761	\$ 14,466,748
Average interest bearing liabilities	\$ 24,302,144	\$ 11,944,315
Net interest margin	2.90%	2.85%

Influences on net interest income from changes in effective rates on, and volume of, interest earning assets and interest bearing liabilities are presented in the following table:

<i>Change between the three months ended September 30, 2023 and 2022</i>	<i>Change in income/expense</i>	<i>Change in rate</i>	<i>Change in volume</i>
Interest income on total loans	\$ 324,197	\$ 163,576	\$ 160,621
Interest income on investment securities	13,270	9,490	3,780
Total interest income	\$ 337,467	\$ 173,066	\$ 164,401
Total interest expense	(233,137)	(166,669)	(66,468)
Net interest income	\$ 104,330	\$ 6,397	\$ 97,933

<i>Change between the nine months ended September 30, 2023 and 2022</i>	<i>Change in income/expense</i>	<i>Change in rate</i>	<i>Change in volume</i>
Interest income on total loans	\$ 950,733	\$ 540,169	\$ 410,564
Interest income on investment securities	36,979	28,714	8,265
Total interest income	\$ 987,712	\$ 568,883	\$ 418,829
Total interest expense	(672,101)	(533,452)	(138,649)
Net interest income	\$ 315,611	\$ 35,431	\$ 280,180

During the three and nine months ended September 30, 2023, there were provisions for credit losses of \$11.9 million and \$77.3 million, respectively. These are compared to provisions for credit losses of \$1.9 million and \$4.4 million, for the three and nine months ended September 30, 2022, respectively. The increase in the provision for credit losses for the nine month comparative periods was primarily due to business combination accounting which required that a majority of the acquired portfolio's allowance for credit losses (ACL) be rebuilt through the income statement. The ACL is comprised of the allowance for loan losses (ALL) and the reserve for unfunded commitments, which is presented on the Consolidated Balance Sheets in Other liabilities. Refer to the Loan Portfolio section for additional discussion on the provision and allowance for credit losses.

Noninterest income for the three months ended September 30, 2023, was \$70.1 million compared to \$35.4 million for the same period of the prior year, an increase of \$34.7 million. Noninterest income for the nine months ended September 30, 2023, was \$208.3 million compared to \$105.6 million for the same period of the prior year, an increase of \$102.7 million. The increase in noninterest income for the three and nine month comparative periods was primarily due to an increase in patronage income, as a result of the merger.

Noninterest expense for the three months ended September 30, 2023, and 2022, was \$93.2 million and \$52.0 million, respectively, an increase of \$41.1 million. Noninterest expense for the nine months ended September 30, 2023, and 2022, was \$263.6 million and \$150.8 million, respectively, an increase of \$112.8 million. The increase in noninterest expense for the three and nine month comparative periods was mainly due to an increase in salaries and employee benefits. Primarily as a result of the merger, AgWest has a much larger employee base which drove increased expenses for salaries and employee benefits.

Commodity Review and Outlook

For additional information on the industries served by AgWest, visit Industry Insights in the Education and Resources section of www.AgWestFC.com.

Financial Condition

Loan Portfolio

AgWest adopted the Financial Accounting Standards Board guidance entitled Measurement of Credit Losses on Financial Instruments effective January 1, 2023. This guidance introduced the current expected credit losses methodology (CECL) for the measurement of credit losses on financial assets measured at amortized cost basis, replacing the previous incurred loss methodology. Under this guidance the accounting for loans acquired in a business combination is dependent on whether or not the loans have experienced more-than-insignificant deterioration in credit quality since origination. Those loans that have not had more-than-insignificant credit deterioration are considered non-purchased credit deteriorated (non-PCD) loans. These loans are recorded at fair value and an increase to the ACL is recorded with a corresponding increase to the provision for credit losses. Purchased loans that reflect a more-than-insignificant credit deterioration since origination are considered purchased with credit deterioration (PCD). Of the total \$12.7 billion loans acquired, management identified \$470.5 million as PCD loans. PCD loans are recorded at acquisition date fair value, grossed up by the estimated ALL. There is no provision for credit losses on the PCD loans and rather an ALL is created. For additional information, refer to Note 1 to the Consolidated Financial Statements.

Loans by type are presented in the following table:

	September 30, 2023	December 31, 2022 ¹	Change
Production agriculture:			
Real estate mortgage	\$ 14,014,374	\$ 7,199,901	\$ 6,814,473
Production and intermediate-term	6,817,069	3,540,674	3,276,395
Agribusiness:			
Processing and marketing	3,556,787	1,862,298	1,694,489
Farm related business	901,549	427,448	474,101
Loans to cooperatives	836,035	481,884	354,151
Rural infrastructure:			
Energy	573,251	257,560	315,691
Communications	550,291	189,224	361,067
Water and waste disposal	287,058	119,265	167,793
Rural residential real estate	239,199	284,423	(45,224)
Financing leases	229,276	64,793	164,483
Other	124,170	41,594	82,576
Total	\$ 28,129,059	\$ 14,469,064	\$ 13,659,995

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

At September 30, 2023, nonperforming assets consisted of nonaccrual loans, net of business combination discounts, accrual loans 90 days or more past due and other property owned and are presented in the following table:

	September 30, 2023
Nonperforming assets:	
Nonaccrual Loans	\$ 157,875
Accrual loans 90 days or more past due	16,410
Other property owned, net	12,124
Total nonperforming assets	\$ 186,409

At December 31, 2022, nonperforming assets consisted of nonaccrual loans, restructured accrual loans, accrual loans 90 days or more past due and other property owned and are presented in the following table:

	December 31, 2022 ¹
Nonperforming assets:	
Nonaccrual loans	\$ 46,732
Restructured accrual loans	2,043
Accrual loans 90 days or more past due	802
Other property owned, net	—
Total nonperforming assets	\$ 49,577

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

Total nonperforming assets at September 30, 2023, increased by \$136.8 million compared to December 31, 2022, primarily due to nonperforming assets acquired in the merger with Farm Credit West and deterioration in certain commodities observed in 2023. Accrual loans 90 days or more past due increased by \$15.6 million from December 31, 2022, and were adequately secured and in the process of collection. Other property owned increased by \$12.1 million due to assets acquired in the merger.

The ACL at September 30, 2023, was \$168.3 million compared to \$84.5 million at December 31, 2022. The increase as compared to year-end is primarily due to the increase in loans as a result of the merger with Farm Credit West. Among other variables, a decline in credit quality during the current year also contributed to the increase in the required ACL. These increases were partly offset by the adoption of the current expected credit loss methodology. Net charge-offs for the three months ended September 30, 2023 were \$0.6 million compared to net recoveries of less than \$0.1 million for the prior year three month period. Net charge-offs for the nine months ended September 30, 2023 were \$0.5 million compared

to prior year nine month net recoveries of less than \$0.1 million. For additional information refer to Note 1 and Note 3 to the Consolidated Financial Statements.

At September 30, 2023, patronage receivable increased by \$31.5 million compared to December 31, 2022, as a result of accruals recorded related to the estimate of patronage receivable for 2023, partially offset by the receipt of 2022 patronage.

At September 30, 2023, patronage payable increased by \$103.3 million compared to December 31, 2022. This increase is primarily the result of accruals recorded related to the estimated patronage payable on higher eligible loan volume in the current year, partially offset by the disbursement of 2022 patronage.

Liquidity, Investment Securities and Funding Source

The primary source of AgWest liquidity and funding is a direct loan from CoBank that is reported as a Note payable to CoBank, ACB in the Consolidated Balance Sheets. The funding arrangement is governed by the General Financing Agreement. AgWest is currently in compliance with this agreement, including repayment, pursuant to the terms and conditions of each debt obligation to CoBank and does not foresee issues with obtaining funding or maintaining liquidity and sensitivity requirements. At September 30, 2023, AgWest's Note payable to CoBank, ACB was \$24.4 billion which is net of \$322.3 million in discounts related to the merger. For additional information, refer to Note 1 to the Consolidated Financial Statements.

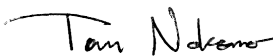
AgWest has two secondary sources of liquidity and funding, with the first being a liquidity investments portfolio managed by AgWest. The liquidity investments portfolio holds investment securities primarily to maintain a liquidity reserve and to assist with interest rate risk management. In accordance with Board-approved policies, AgWest purchases high credit quality investment securities to ensure the investment portfolio is readily marketable and available to serve as a source of liquidity in the event of disruption to AgWest's normal funding sources. Additional investment securities information is in Note 1 and Note 2 to the Consolidated Financial Statements. AgWest's secondary source of liquidity and funding is through an uncommitted federal funds line of credit with Wells Fargo Bank, N.A. The amount available through this line is \$125.0 million and is intended to provide liquidity for disaster recovery or other emergency situations. At September 30, 2023, no balance was outstanding on this line of credit.

Certification

The undersigned certify that they have reviewed this report and it has been prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate and complete to the best of their knowledge and belief. There were no material changes in the internal control over financial reporting during the three and nine months ended September 30, 2023.



Mark D. Littlefield
President and CEO
November 9, 2023



Tom Nakano
Chief Financial Officer
November 9, 2023



Nathan Riggers
Chair of the Board
November 9, 2023

Consolidated Balance Sheets

(dollars in thousands) (unaudited)

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
ASSETS		
Cash	\$ 16,882	\$ 69,117
Investment securities	1,749,185	606,343
Loans	28,129,059	14,330,607
Less: allowance for loan losses	145,424	67,500
Net loans	<u>27,983,635</u>	<u>14,263,107</u>
Accrued interest receivable	432,257	140,947
Investment in CoBank, ACB	761,049	419,844
Patronage receivable	139,042	107,536
Investment in Farm Credit System entities	37,191	33,175
Premises and equipment, net	102,533	53,551
Other assets	<u>204,228</u>	<u>100,680</u>
Total assets	<u>\$ 31,426,002</u>	<u>\$ 15,794,300</u>
LIABILITIES		
Note payable to CoBank, ACB	\$ 24,402,564	\$ 11,809,550
Advance conditional payments and other interest bearing liabilities	965,343	517,155
Accrued interest payable	155,472	47,302
Patronage payable	289,768	186,500
Other liabilities	<u>157,254</u>	<u>113,133</u>
Total liabilities	<u>25,970,401</u>	<u>12,673,640</u>
MEMBERS' EQUITY		
Capital stock and participation certificates	18,388	13,502
Less: capital stock and participation certificates receivable	(13,621)	(13,502)
Additional paid-in-capital	2,149,282	—
Accumulated other comprehensive loss, net of tax	(96,794)	(65,282)
Unallocated retained earnings	<u>3,398,346</u>	<u>3,185,942</u>
Total members' equity	<u>5,455,601</u>	<u>3,120,660</u>
Total liabilities and members' equity	<u>\$ 31,426,002</u>	<u>\$ 15,794,300</u>

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

Consolidated Statements of Income and Comprehensive Income

(dollars in thousands) (unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
NET INTEREST INCOME				
Interest income	\$ 506,457	\$ 168,990	\$ 1,430,287	\$ 442,575
Interest expense	295,470	62,333	806,111	134,010
Net interest income	210,987	106,657	624,176	308,565
Provision for credit losses	11,860	1,932	77,252	4,442
Net interest income after provision for credit losses	199,127	104,725	546,924	304,123
NONINTEREST INCOME				
Patronage	51,517	23,226	156,461	70,846
Loan and other fees	7,574	3,211	19,356	11,385
Financially related services	6,860	5,287	18,917	13,887
Other noninterest income	4,173	3,662	13,585	9,508
Total noninterest income	70,124	35,386	208,319	105,626
NONINTEREST EXPENSE				
Salaries and employee benefits	48,793	28,074	139,870	80,160
Information technology services	12,186	7,282	35,359	21,558
Insurance fund premiums	9,501	5,182	27,915	15,563
Occupancy and equipment	3,700	2,602	11,492	7,549
Other noninterest expenses	18,991	8,848	48,960	26,013
Total noninterest expense	93,171	51,988	263,596	150,843
Income before income taxes	176,080	88,123	491,647	258,906
Provision for income taxes	538	156	913	638
Net income	\$ 175,542	\$ 87,967	\$ 490,734	\$ 258,268
OTHER COMPREHENSIVE INCOME				
Net pension adjustment	\$ 476	\$ 373	\$ (60)	\$ 1,123
Net change in unrealized gain (losses) on investment securities	(21,600)	(14,076)	(31,452)	(36,370)
Other comprehensive income (loss), net of tax	(21,124)	(13,703)	(31,512)	(35,247)
Total comprehensive income	\$ 154,418	\$ 74,264	\$ 459,222	\$ 223,021

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

Consolidated Statements of Changes in Members' Equity

(dollars in thousands) (unaudited)

	<i>Capital stock and participation certificates and receivable</i>	<i>Unallocated retained earnings</i>	<i>Additional paid- in-capital</i>	<i>Accumulated other comprehensive income (loss)</i>	<i>Total members' equity</i>
Balance at December 31, 2021	\$ —	\$ 3,019,622	\$ —	\$ (30,191)	\$ 2,989,431
Comprehensive income	—	258,268	—	(35,247)	223,021
Capital stock and participation certificates issued	1,230	—	—	—	1,230
Capital stock and participation certificates retired	(1,185)	—	—	—	(1,185)
Less: capital stock and participation certificates receivable	(45)	—	—	—	(45)
Patronage	—	(137,585)	—	—	(137,585)
Balance at September 30, 2022	\$ —	\$ 3,140,305	\$ —	\$ (65,438)	\$ 3,074,867
Balance at December 31, 2022	\$ —	\$ 3,185,942	\$ —	\$ (65,282)	\$ 3,120,660
Cumulative change in accounting principle due to the adoption of CECL	—	11,500	—	—	11,500
Business combination adjustments due to merger	4,863	—	2,149,282	—	2,154,145
Comprehensive income	—	490,734	—	(31,512)	459,222
Capital stock and participation certificates issued	171	—	—	—	171
Capital stock and participation certificates retired	(267)	—	—	—	(267)
Issuance of stock in exchange for customer stock receivable	885	—	—	—	885
Release of customer stock receivable associated with retired stock	(835)	—	—	—	(835)
Less: capital stock and participation certificates receivable	(50)	—	—	—	(50)
Patronage	—	(289,830)	—	—	(289,830)
Balance at September 30, 2023	\$ 4,767	\$ 3,398,346	\$ 2,149,282	\$ (96,794)	\$ 5,455,601

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

AgWest Farm Credit, ACA

Notes to Consolidated Financial Statements (unaudited)

NOTE 1 – Organization and Significant Accounting Policies

Organization

A description of the organization and operations of AgWest Farm Credit, ACA (AgWest), the significant accounting policies followed, and the financial condition and results of operations for the year ended December 31, 2022, are contained in the 2022 Northwest Farm Credit Services (Northwest FCS) Annual Report to Stockholders. These unaudited results for the three and nine months ended September 30, 2023, should be read in conjunction with the 2022 Northwest FCS Annual Report to Stockholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the financial services industry 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 for the year ended December 31, 2022, as contained in the 2022 Northwest FCS Annual Report to Stockholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for the fair statement of results for the interim period. 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 Consolidated Statements of Income and Comprehensive Income for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2023. Descriptions of the significant accounting policies are included in the 2022 Northwest FCS Annual Report to Stockholders and remain unchanged unless otherwise noted in this report. 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 financial services industry.

Merger Activity

Effective January 1, 2023, Farm Credit West, ACA (Farm Credit West) and its PCA and FLCA subsidiaries merged with and into Northwest Farm Credit Services, ACA (the continuing association) and its respective PCA and FLCA subsidiaries (Northwest FCS). Northwest FCS acquired 100 percent of the assets and liabilities of Farm Credit West. In connection with the merger, Northwest FCS and its PCA and FLCA subsidiaries changed their names to AgWest Farm Credit, ACA, AgWest Farm Credit, PCA and AgWest Farm Credit, FLCA, respectively (AgWest). The merged Association, AgWest, is headquartered in Spokane, Washington. The primary reason for the merger was to strategically position the associations to best serve member needs, now and in the future. The effects of the merger are included in AgWest's results of operations, statement of condition, average balances, and related metrics beginning January 1, 2023.

The acquisition method of accounting requires the financial statement presentation of combined balances as of the date of merger, but not for previous periods. The Consolidated Balance Sheets, the Consolidated Statements of Income and Comprehensive Income and the Consolidated Statements of Changes in Members' Equity reflect the results of AgWest after January 1, 2023, and Northwest FCS prior to that date. Information in the Notes to the Consolidated Financial Statements for 2023 reflect balances of AgWest for disclosures after January 1, 2023.

As cooperative organizations, Farm Credit associations operate for the mutual benefit of their members and other customers and not for the benefit of equity investors. As such, capital stock provides no significant interest in corporate earnings or growth. Specifically, due to restrictions in applicable regulations and the bylaws, the associations can issue stock only at its par value of five dollars per share, the stock is not tradable, and the stock can be retired only for the lesser of par value or book value. The shares of Farm Credit West stock were converted into shares of the continuing association, ultimately named AgWest, with identical rights and attributes. For this reason, the conversion of Farm Credit West stock pursuant to the merger occurred at a one-for-one exchange ratio (i.e. each Farm Credit West share was converted into one share of AgWest stock with an equal par value).

Management believes that because the stock in each association is fixed in value (although subject to impairment), the AgWest stock issued pursuant to the merger provided no basis for estimating the fair value of the consideration transferred. In the absence of a purchase price determination, AgWest undertook a process to estimate the acquisition date fair value of Farm Credit West assets and liabilities instead of the acquisition date fair value of AgWest's equity interests transferred as consideration. The fair value of the assets acquired and liabilities assumed from Farm Credit West, were measured based on various estimates using assumptions that management believes are reasonable and using information available as of the merger date. Use of different estimates and judgments could yield materially different results.

The merger was accounted for as a business combination using the acquisition method of accounting as required under FASB ASC Topic 805, Business Combinations. Pursuant to these rules, AgWest acquired the assets and assumed the liabilities of Farm Credit West at their acquisition date fair value. The fair value of the net identifiable assets acquired of \$2.2 billion was substantially equal to the fair value of the equity interest exchanged in the merger. In addition, no material amounts of intangible assets were acquired; therefore, no goodwill was recorded. A net increase of \$2.2 billion was recorded in members' equity related to the merger.

The following condensed statement of net assets acquired reflects the fair value assigned to Farm Credit West net assets as of the acquisition date. There were no subsequent changes to the initial fair value measurements since the merger.

	<i>January 1, 2023</i>	
Assets:		
Cash	\$	45,740
Investment securities		842,354
Net Loans		12,647,272
Accrued interest receivable		132,803
Investment in Farm Credit System entities		366,707
Premises and equipment, net		48,420
Other assets		165,820
Total assets	\$	14,249,116
Liabilities:		
Note payable to CoBank, ACB	\$	11,376,704
Advance conditional payments and other interest bearing liabilities		427,280
Accrued interest payable		44,824
Other liabilities		246,163
Total liabilities	\$	12,094,971
Fair value of net assets acquired	\$	2,154,145

Business combination adjustments to Farm Credit West's assets included a \$630.1 million net business combination discount to gross loans. With the adoption of CECL, loans acquired in a business combination that have experienced more-than-insignificant deterioration in credit quality since origination are considered purchased with credit deterioration (PCD). At the acquisition date, an estimate of expected credit losses was made for PCD loans of \$18.6 million. This initial allowance for credit losses (ACL) is allocated to individual PCD loans and added to the purchase price or acquisition date fair values to establish the initial amortized cost basis of the PCD loans. As the initial ACL is added to the purchase price, there is no provision for credit losses recognized upon acquisition of a PCD loan. For acquired loans not deemed PCD at acquisition, the differences between the initial fair value and the unpaid principal balance are recognized as interest income over the lives of the related loans. An ACL is estimated and \$53.7 million was recorded as a provision for credit losses in January 2023. Also included in the business combination adjustments was a net discount to investment securities of \$77.6 million to reflect fair value. This difference is being accreted into interest income over the remaining life of each securities' contractual maturity. Fair value adjustments to Farm Credit West's liabilities included a \$403.2 million net business combination discount to Note payable to CoBank, ACB to reflect changes in interest rates and other market conditions since the time these instruments were issued. These differences are being amortized into interest expense over the remaining lives of the debt instruments.

Principles of Consolidation

The Consolidated Financial Statements present the consolidated financial results of AgWest Farm Credit, ACA and its subsidiaries AgWest Farm Credit, FLCA and AgWest Farm Credit, PCA. All intercompany transactions and balances have been eliminated in consolidation.

Reclassifications

Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year's financial statements presentation. Certain investments were reclassified from Investment in Farm Credit System entities to Other assets on the Consolidated Balance Sheets. Additionally, within the Consolidated Statements of Income and Comprehensive Income, Information technology services are presented as a separate income statement line item due to the significance of the balances. Prepayment fees collected were reclassified from Interest income to Loan and other fees. Debt extinguishment cost were reclassified from Interest expense to Other noninterest income. Income from the investment in Captive insurance was reclassified from Patronage income to Other noninterest income. There are reclassifications within certain loan tables shown in Note 3 to separately disclose Financing leases which were previously presented in Other loans and reclassification of certain purchased loans within Production and intermediate-term to Other loans to better align the merged loan portfolio presentation.

Recently Issued or Adopted Accounting Pronouncements

In January 2021, the Financial Accounting Standards Board (FASB) issued an update to Reference Rate Reform whereby certain derivative instruments could be modified to change the rate used for margining, discounting or contract price alignment. An entity could elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments did not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022.

In December 2022, the FASB issued an update entitled Reference Rate Reform - Deferral of the Sunset Date of Topic 848. In March 2020, the FASB issued guidance entitled Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Reference Rate Reform), which provided optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform to ease the potential burden related to reference rate reform (transition away from the London Inter-Bank Offered Rate (LIBOR)) with the optional amendments effective as of March 12, 2020 through December 31, 2022, the sunset date. At the time the update was issued, the expectation was that LIBOR would cease to be published after December 31, 2021. Subsequent to the issuance of the January 2021 update, it was announced that the intended cessation date for various tenors of LIBOR would be June 30, 2023, thus necessitating the update to the sunset date. The amendments in the current update defer the sunset date from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief. AgWest was not materially impacted by the adoption of this guidance or amendments.

AgWest adopted the FASB guidance entitled Measurement of Credit Losses on Financial Instruments and other subsequently issued accounting standards related to credit losses on January 1, 2023. This guidance replaced the current incurred loss impairment methodology with a single allowance framework for all financial assets carried at amortized cost and certain off-balance sheet credit exposures. This guidance requires management to consider in its estimate of the allowance for credit losses (ACL) relevant historical events, current conditions and reasonable and supportable forecasts that affect the collectability of the assets. Prior to the adoption, the ACL represented management's estimate of the probable credit losses inherent in its loan portfolio and certain unfunded commitments.

The following table presents the impact to the ACL and unallocated retained earnings upon adoption of this guidance on January 1, 2023:

	December 31, 2022	CECL adoption impact	January 1, 2023
Assets:			
Allowance for loan losses	\$ 67,500	\$ (1,500)	\$ 66,000
Liabilities:			
Reserve for unfunded commitments	\$ 17,000	\$ (10,000)	\$ 7,000
Retained earnings:			
Unallocated retained earnings	\$ 3,185,942	\$ 11,500	\$ 3,197,442

AgWest also adopted effective January 1, 2023, the updated FASB guidance entitled, Financial Instruments - Credit Losses, Troubled Debt Restructurings and Vintage Disclosures. This guidance requires the creditor to determine whether a modification results in a new loan or a continuation of an existing loan, among other disclosures specific to modifications with borrowers that are experiencing financial difficulties. The update eliminated the accounting guidance for troubled debt restructurings by creditors.

Significant Accounting Policies

Business Combinations

AgWest accounts for acquisitions under FASB ASC Topic 805, Business Combinations, which requires the use of the acquisition method of accounting. Under the acquisition method, the acquiring entity in a business combination recognizes all identifiable assets acquired, including loans, and liabilities assumed at their acquisition date fair values.

Investment Securities

As more fully described in the 2022 Northwest FCS Annual Report, AgWest may hold additional investments in accordance with other investment programs approved by the Farm Credit Administration (FCA). These programs allow AgWest to make investments that further the mission to support rural America.

Upon adoption of CECL, the guidance amended the previous other-than-temporary impairment (OTTI) model for investments available-for-sale to incorporate an ACL. Impairment may result from credit deterioration of the issuer or collateral underlying the security. In performing an assessment of whether any decline in fair value is due to a credit loss, all relevant information is considered at the individual security level. With respect to U.S. Treasuries, management considers the history of credit losses, current conditions and reasonable and supportable forecasts, which may indicate that the expectation that nonpayment of the amortized cost basis is or continues to be zero, even if the U.S. government were to technically default. Therefore, for those securities, AgWest does not maintain expected credit losses.

Available-for-sale debt securities in unrealized loss positions are evaluated for impairment related to credit losses at least quarterly. For available-for-sale debt securities, a decline in fair value due to estimated credit loss results in recording an ACL to the extent the fair value is less than the amortized cost basis. Declines in fair value which are due to changes in market interest rates are recorded through other comprehensive income (loss).

Loans and Allowance for Credit Losses

Long-term real estate mortgage loans may have original maturities ranging up to 40 years, but the typical loan is 30 years or less. Short- and intermediate-term loans for agricultural production or operating purposes generally have maturities of 10 years or less. Loans are generally carried at their principal amount outstanding adjusted for charge-offs, deferred loan fees or costs and net business combination discounts. Loan origination fees and direct loan origination costs are capitalized, and the net fee or cost is amortized over the average life of the related loan as an adjustment to yield. These deferred origination costs are periodically evaluated. Loan prepayment fees are reported in noninterest income. Interest on loans is accrued and credited to interest income based on the daily principal amount outstanding. The total balance of unamortized net business combination discounts, fees and costs, recognized as an offset to loans in the Consolidated Balance Sheets, was a net discount of \$536.1 million at September 30, 2023, compared to \$36.0 million at December 31, 2022.

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. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument 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 loan 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 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 should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

Accrued Interest Receivable

AgWest elected to continue classifying accrued interest on loans and investment securities as accrued interest receivable and not as part of loans or investments on the Consolidated Balance Sheets. AgWest 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.

Troubled Debt Restructure

Through December 31, 2022, a restructured loan constituted a troubled debt restructuring (TDR) if for economic or legal reasons related to the debtor's financial difficulties, AgWest granted a concession to the debtor that it would not otherwise consider. A concession was generally granted in order to minimize AgWest's economic loss and avoid foreclosure. Concessions varied by program and were borrower-specific and may have included interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven. A loan restructured in a troubled debt restructuring was an impaired loan. As mentioned in the Recently Issued or Adopted Accounting Pronouncements, the accounting requirement to report on TDRs was eliminated effective January 1, 2023, and restructured loans are no longer reported with impaired loans.

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. AgWest has identified those loans modified to a borrower experiencing financial difficulties for the purpose of disclosure.

Collateral Dependent Loans

Collateral dependent loans are loans secured by collateral, including but not limited to agricultural real estate, crop inventory, equipment and livestock. CECL requires AgWest to measure the expected credit losses based on fair value of the collateral at the reporting date when it 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 are based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan. AgWest has considered potential future changes in collateral value, historical loss experience, and reasonable and supportable forecasts for financial assets that were secured by similar collateral.

Purchased Credit Deteriorated Loans (PCD)

Purchased loans are recorded at their fair value at the acquisition date. Any loans that have experienced a more-than-insignificant deterioration in credit quality since origination are identified as PCD loans and AgWest is required to estimate and record an ACL for these loans. This allowance is then added to the purchase price of the PCD loans to establish the initial amortized cost basis, rather than being reported as a provision for credit losses. Any subsequent changes in expected credit losses are recorded through the income statement with a provision for credit losses. An ACL is recorded on non-PCD loans through a provision for credit losses.

Allowance for Credit Losses

Beginning January 1, 2023, the 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 is comprised of the allowance for loan losses and the reserve for unfunded commitments, which is presented on the Consolidated Balance Sheets in Other liabilities.

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 methodology for the ACL represents management's estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, which excludes net deferred fees and cost, applicable accrued interest and net business combination discounts. The estimate of the ACL involves a high degree of judgment; therefore, the process for determining expected credit losses may result in a range of expected credit losses. The ACL recorded on the Consolidated Balance Sheets reflects management's best estimate within the range of expected credit losses.

AgWest employs a disciplined process and methodology within its model to establish its ACL that has two basic components: first, loans individually evaluated for impairment which involves loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, loans collectively evaluated for impairment which involves estimated expected credit losses for pools of loans that share similar risk characteristics.

Individually evaluated loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For individually evaluated loans, expected credit losses are measured as the difference between the amortized cost basis of the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, 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. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale of the collateral. Management reassesses the need for adjustments to the loan's expected credit loss measurements based on updated fair values and, where appropriate, records an adjustment. 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 ACL. AgWest may apply the collateral-dependent practical expedient to determine the expected credit losses on certain loans.

In estimating the second component of the ACL that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics generally include loan type, commodity or industry and credit quality rating. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the exposure at default, the

probability of default, based on the migration of loans from performing to default using historical life-of-loan analysis periods for loan types, and the severity of loss such as loss given default, based on the aggregate net lifetime losses incurred per loan pool. Prepayment rate assumptions are used within the methodology.

This component of the ACL also considers 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 various factors and involving management judgement of economic conditions and variables used.

The methodology uses multiple economic scenarios over a reasonable and supportable forecast period of two years. Subsequent to the forecast period, certain pools of loans utilize an instantaneous reversion to the long term loss rate, while other pools of loans utilize a one year reversion through the cycle observed loss rate. The long run average expected credit losses are derived from available historical credit information. AgWest uses long run average expected losses for the portfolio over the estimated remaining contractual term beyond its forecast period and the reversion period.

For certain pools of loans, the methodology utilizes economic forecasts that incorporate macroeconomic variables, including unemployment rates and personal consumption expenditures. For other pools of loans, the methodology utilizes an internal risk index with differing sets of factors for each commodity.

In addition to the quantitative calculation, AgWest considers the imprecision inherent in the process and methodology, emerging risk assessments and other subjective factors, which may lead to a management adjustment to the modeled ACL results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral. The economic forecasts are updated on a quarterly basis.

Prior to January 1, 2023, the ACL 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 were considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition and prior loan loss experience. The ACL 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.

AgWest evaluates a reserve for unfunded commitments under CECL which is included in Other liabilities on the Consolidated Balance Sheets. 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 institution and applying the loss factors used in the ACL methodology to the results of the usage calculation. For additional information on loans and ACL, refer to Note 3.

NOTE 2 – Investment Securities

The following is a summary of investments held for maintaining a liquidity reserve and managing interest rate risk and are classified as available-for-sale:

<i>September 30, 2023</i>	<i>Amortized cost</i>	<i>Gross unrealized gains</i>	<i>Gross unrealized losses</i>	<i>Fair value</i>
U.S. Treasury debt securities	\$ 1,817,644	\$ 94	\$ (68,553)	\$ 1,749,185
Total	\$ 1,817,644	\$ 94	\$ (68,553)	\$ 1,749,185
<i>December 31, 2022</i>	<i>Amortized cost</i>	<i>Gross unrealized gains</i>	<i>Gross unrealized losses</i>	<i>Fair value</i>
U.S. Treasury debt securities	\$ 643,350	\$ 72	\$ (37,079)	\$ 606,343
Total	\$ 643,350	\$ 72	\$ (37,079)	\$ 606,343

The following table is a summary of the contractual maturity, fair value, amortized cost and weighted average yield of investments available-for-sale as of September 30, 2023:

September 30, 2023	Contractual maturity			
	In one year or less	One to five years	Five to ten years	Total
U.S. Treasury debt securities				
Amortized cost	\$ 302,965	\$ 982,722	\$ 531,957	\$ 1,817,644
Fair value	\$ 299,016	\$ 939,905	\$ 510,264	\$ 1,749,185
Weighted average yield	1.82%	2.34%	3.64%	2.63%

The following table shows investment securities by gross unrealized losses and fair value, aggregated by investment category and length of time that the securities have been in a continuous unrealized loss position at September 30, 2023. The continuous loss position is based on the date the unrealized loss was first identified:

September 30, 2023	Less than 12 months		Greater than 12 months	
	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Treasury debt securities	\$ 1,274,965	\$ (36,152)	\$ 449,623	\$ (32,401)
Total	\$ 1,274,965	\$ (36,152)	\$ 449,623	\$ (32,401)

As of September 30, 2023, AgWest expects to collect all principal and interest on its investment securities. AgWest does not intend to sell the securities in significant unrealized loss positions, nor is it likely that AgWest will be required to sell such securities, for regulatory, liquidity or other purposes.

NOTE 3 – Loans and Allowance for Credit Losses

A summary of loans follows:

	September 30, 2023	December 31, 2022
Real estate mortgage	\$ 14,014,374	\$ 7,106,419
Production and intermediate-term	6,817,069	3,512,706
Agribusiness	5,294,371	2,757,504
Rural infrastructure	1,410,600	564,667
Rural residential real estate	239,199	283,484
Financing leases	229,276	64,464
Other	124,170	41,363
Total loans	\$ 28,129,059	\$ 14,330,607

AgWest may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. The following tables present information regarding participations purchased and sold. Participations purchased volume in the tables exclude syndications and purchases of other interests in loans:

September 30, 2023	Farm Credit institutions		Non-Farm Credit institutions		Total	
	Participations purchased	Participations sold	Participations purchased	Participations sold	Participations purchased	Participations sold
Real estate mortgage	\$ 788,866	\$ 2,726,486	\$ —	\$ —	\$ 788,866	\$ 2,726,486
Production and intermediate-term	1,365,855	4,839,452	—	—	1,365,855	4,839,452
Agribusiness	1,948,516	1,799,135	2,308	—	1,950,824	1,799,135
Rural infrastructure	1,303,322	—	—	—	1,303,322	—
Financing leases	58,415	22,220	—	—	58,415	22,220
Other	90,087	—	32,134	—	122,221	—
Total	\$ 5,555,061	\$ 9,387,293	\$ 34,442	\$ —	\$ 5,589,503	\$ 9,387,293

December 31, 2022	Farm Credit institutions		Non- Farm Credit institutions		Total	
	Participations purchased	Participations sold	Participations purchased	Participations sold	Participations purchased	Participations sold
Real estate mortgage	\$ 614,987	\$ 665,027	\$ —	\$ —	\$ 614,987	\$ 665,027
Production and intermediate-term	836,793	4,250,106	2	—	836,795	4,250,106
Agribusiness	1,240,174	1,093,925	2,375	—	1,242,549	1,093,925
Rural infrastructure	564,667	—	—	—	564,667	—
Financing leases	64,464	—	—	—	64,464	—
Other	40,834	—	—	—	40,834	—
Total	\$ 3,361,919	\$ 6,009,058	\$ 2,377	\$ —	\$ 3,364,296	\$ 6,009,058

Credit Quality

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in AgWest's outstanding loans, letters of credit and unfunded loan commitments. AgWest 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 FCA regulations, each institution 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 percent of the original appraised value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

AgWest uses a two-dimensional loan risk rating model based on an internally generated combined Farm Credit 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 as nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship.

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.
- Loss – assets are considered uncollectible.

The following tables show loans classified under the FCA Uniform Loan Classification System as a percentage of total loans by loan type:

<i>September 30, 2023</i>	<i>Acceptable</i>	<i>OAEM</i>	<i>Substandard/ doubtful</i>	<i>Total</i>
Real estate mortgage	92.5%	4.5%	3.0%	100.0%
Production and intermediate-term	88.8%	5.9%	5.3%	100.0%
Agribusiness	94.6%	3.9%	1.5%	100.0%
Rural infrastructure	98.6%	1.4%	0.0%	100.0%
Rural residential real estate	97.5%	0.6%	1.9%	100.0%
Financing leases	88.5%	7.1%	4.4%	100.0%
Other	100.0%	0.0%	0.0%	100.0%
Total	92.3%	4.6%	3.1%	100.0%

<i>December 31, 2022¹</i>	<i>Acceptable</i>	<i>OAEM</i>	<i>Substandard/ doubtful</i>	<i>Total</i>
Real estate mortgage	97.0%	1.5%	1.5%	100.0%
Production and intermediate-term	94.2%	2.6%	3.2%	100.0%
Agribusiness	96.4%	3.0%	0.6%	100.0%
Rural infrastructure	99.6%	0.0%	0.4%	100.0%
Rural residential real estate	97.4%	0.9%	1.7%	100.0%
Financing leases	96.9%	0.5%	2.6%	100.0%
Other	100.0%	0.0%	0.0%	100.0%
Total	96.3%	2.0%	1.7%	100.0%

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

At September 30, 2023, nonperforming assets consisted of nonaccrual loans, net of business combination discounts, accrual loans 90 days or more past due and other property owned and are presented in the following table, including related credit quality statistics:

<i>September 30, 2023</i>	
Nonaccrual loans:	
Real estate mortgage	\$ 73,120
Production and intermediate-term	82,793
Agribusiness	501
Rural residential real estate	1,309
Financing leases	152
Total nonaccrual loans	\$ 157,875
Accrual loans 90 days or more past due:	
Real estate mortgage	\$ 2,181
Production and intermediate-term	14,229
Total accrual loans 90 days or more past due:	\$ 16,410
Total impaired loans	\$ 174,285
Other property owned, net	12,124
Total nonperforming assets	\$ 186,409
Nonaccrual loans as a percentage of total loans	0.6 %
Nonperforming assets as a percentage of total loans and other property owned	0.7 %
Nonperforming assets as a percentage of members' equity	3.4 %

At December 31, 2022, nonperforming assets consisted of nonaccrual loans, restructured accrual loans, accrual loans 90 days or more past due and other property owned and are presented in the following table, including related credit statistics:

December 31, 2022¹

Nonaccrual loans:	
Real estate mortgage	\$ 17,547
Production and intermediate-term	25,838
Agribusiness	145
Rural infrastructure	2,157
Rural residential real estate	1,045
Total nonaccrual loans	\$ 46,732
Restructured accrual loans:	
Real estate mortgage	\$ 729
Production and intermediate-term	589
Rural residential real estate	725
Total restructured accrual loans	\$ 2,043
Accrual loans 90 days or more past due:	
Real estate mortgage	\$ 348
Production and intermediate-term	276
Rural residential real estate	178
Total accrual loans 90 days or more past due	\$ 802
Total impaired loans	\$ 49,577
Other property owned, net	—
Total nonperforming assets	\$ 49,577
Nonaccrual loans as a percentage of total loans	0.3 %
Nonperforming assets as a percentage of total loans and other property owned	0.3 %
Nonperforming assets as a percentage of members' equity	1.6 %

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

The following table provides the amortized cost for nonaccrual loans with and without a related allowance for loan losses, as well as, interest income recognized on nonaccrual during the period:

September 30, 2023	Amortized cost with allowance	Amortized cost without allowance	Total amortized cost	Interest income recognized for the	
				three months ended September 30, 2023	nine months ended September 30, 2023
Nonaccrual Loans					
Real estate mortgage	\$ 1,804	\$ 71,316	\$ 73,120	\$ 3,584	\$ 8,422
Production and intermediate-term	76,470	6,323	82,793	1,345	3,696
Agribusiness	176	325	501	463	1,895
Rural residential real estate	—	1,309	1,309	11	48
Financing leases	26	126	152	—	—
Total nonaccrual loans	\$ 78,476	\$ 79,399	\$ 157,875	\$ 5,403	\$ 14,061

As of December 31, 2022, additional impaired loan information, including related accrued interest where applicable, is as follows:

December 31, 2022	Recorded investment ¹	Unpaid principal balance ²	Related allowance	Average impaired loans	Interest income recognized on impaired loans
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	\$ —	\$ —	\$ —	\$ 3,267	\$ —
Production and intermediate-term	15,983	16,452	4,285	5,055	—
Agribusiness	—	—	—	103	—
Rural infrastructure	2,157	2,157	432	7,129	—
Rural residential real estate	—	—	—	312	—
Total impaired loans with a related allowance	\$ 18,140	\$ 18,609	\$ 4,717	\$ 15,866	\$ —
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	\$ 18,624	\$ 20,606	\$ —	\$ 18,089	\$ 941
Production and intermediate-term	10,720	14,851	—	13,849	916
Agribusiness	145	144	—	138	53
Rural infrastructure	—	—	—	708	—
Rural residential real estate	1,948	1,948	—	1,615	240
Financing leases	—	—	—	21	5
Total impaired loans with no related allowance	\$ 31,437	\$ 37,549	\$ —	\$ 34,420	\$ 2,155
Total impaired loans:					
Real estate mortgage	\$ 18,624	\$ 20,606	\$ —	\$ 21,356	\$ 941
Production and intermediate-term	26,703	31,303	4,285	18,904	916
Agribusiness	145	144	—	241	53
Rural infrastructure	2,157	2,157	432	7,837	—
Rural residential real estate	1,948	1,948	—	1,927	240
Financing leases	—	—	—	21	5
Total impaired loans	\$ 49,577	\$ 56,158	\$ 4,717	\$ 50,286	\$ 2,155

¹The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges and acquisition costs and may also reflect a previous direct write-down on the investment. The recorded investment may be less than the unpaid principal balance as payments on non-cash basis nonaccrual loans reduce the recorded investment.

²Unpaid principal balance represents the recorded principal balance of the loan.

The following table provides an aging analysis of past due loans at amortized cost by portfolio segment:

September 30, 2023	Current loans	30-89 days past due	90+ days past due	Total past due	Total	Recorded investment 90+ days and accruing interest ¹
Real estate mortgage	\$ 13,923,627	\$ 36,072	\$ 54,675	\$ 90,747	\$ 14,014,374	\$ 2,181
Production and intermediate-term	6,703,876	35,377	77,816	113,193	6,817,069	14,229
Agribusiness	5,288,507	5,695	169	5,864	5,294,371	—
Rural infrastructure	1,410,600	—	—	—	1,410,600	—
Rural residential real estate	237,363	1,836	—	1,836	239,199	—
Financing leases	229,250	—	26	26	229,276	—
Other	124,170	—	—	—	124,170	—
Total	\$ 27,917,393	\$ 78,980	\$ 132,686	\$ 211,666	\$ 28,129,059	\$ 16,410

¹The recorded investment in the receivable is the face amount increased or decreased by unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

As of December 31, 2022, the aging analysis of past due loans reported was as follows:

<i>December 31, 2022¹</i>	<i>Current loans</i>	<i>30-89 days past due</i>	<i>90+ days past due</i>	<i>Total past due</i>	<i>Total</i>	<i>Recorded investment 90+ days and accruing interest²</i>
Real estate mortgage	\$ 7,175,560	\$ 12,669	\$ 11,672	\$ 24,341	\$ 7,199,901	\$ 348
Production and intermediate-term	3,510,744	5,025	24,905	29,930	3,540,674	276
Agribusiness	2,768,698	2,932	—	2,932	2,771,630	—
Rural infrastructure	566,049	—	—	—	566,049	—
Rural residential real estate	281,909	2,336	178	2,514	284,423	178
Financing leases	64,769	24	—	24	64,793	—
Other	41,594	—	—	—	41,594	—
Total	\$ 14,409,323	\$ 22,986	\$ 36,755	\$ 59,741	\$ 14,469,064	\$ 802

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

²The recorded investment in the 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 investment.

Allowance for Credit Losses

The credit risk rating methodology is a key component of AgWest's ACL evaluation, and is generally incorporated into its loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established by AgWest to manage credit exposure. The regulatory limit to a single borrower or lessee is 15 percent of AgWest's lending and leasing limit base but the board of directors have established more restrictive lending limits. The ACL is made up of the Allowance for loan losses on the Consolidated Balance Sheets and the reserve for unfunded commitments, reported in Other liabilities. The provision for credit losses or credit loss reversal is related to both loans and the reserve for unfunded commitments reported in the Consolidated Statements of Income and Comprehensive Income. Effective January 1, 2023, AgWest adopted the CECL accounting guidance as described in Note 1. The ACL for PCD loans acquired in the merger was established through an increase in the acquired loan balance as discussed in Note 1 and there was no corresponding increase to the provision for credit losses. The initial ACL for non-PCD loans acquired in the merger was established through a corresponding increase to the provision for credit losses.

For three and nine months ended September 30, 2023, the ACL activity for loans and the reserve for unfunded commitments is summarized in the following tables:

	<i>Real estate mortgage</i>	<i>Production and intermediate-term</i>	<i>Agribusiness</i>	<i>Rural infrastructure</i>	<i>Rural residential real estate</i>	<i>Financing leases</i>	<i>Other</i>	<i>Total</i>
Allowance for loan losses:								
Balance at June 30, 2023	\$ 56,135	\$ 43,392	\$ 31,241	\$ 3,601	\$ 1,011	\$ 4,077	\$ 43	\$139,500
Charge-offs	—	(21)	(687)	—	—	—	—	(708)
Recoveries	—	148	—	—	—	—	—	148
Provision for loan losses (loan loss reversal)	2,452	6,590	(2,359)	229	(103)	(496)	171	6,484
Balance at September 30, 2023	\$ 58,587	\$ 50,109	\$ 28,195	\$ 3,830	\$ 908	\$ 3,581	\$ 214	\$145,424
Reserve for unfunded commitments:								
Balance at June 30, 2023	\$ 2,913	\$ 7,529	\$ 6,459	\$ 511	\$ —	\$ 1	\$ 87	\$ 17,500
(Reversal) provision for unfunded lending commitments	(200)	2,816	2,682	145	—	(1)	(66)	5,376
Balance at September 30, 2023	\$ 2,713	\$ 10,345	\$ 9,141	\$ 656	\$ —	\$ —	\$ 21	\$ 22,876
Total allowance for credit losses at September 30, 2023	\$ 61,300	\$ 60,454	\$ 37,336	\$ 4,486	\$ 908	\$ 3,581	\$ 235	\$168,300

	<i>Real estate mortgage</i>	<i>Production and intermediate-term</i>	<i>Agribusiness</i>	<i>Rural infrastructure</i>	<i>Rural residential real estate</i>	<i>Financing leases</i>	<i>Other</i>	<i>Total</i>
Allowance for loan losses:								
Balance at December 31, 2022	\$ 19,219	\$ 25,676	\$ 17,337	\$ 2,841	\$ 884	\$ 1,406	\$ 137	\$ 67,500
Impact of CECL adoption	17,336	(9,891)	(7,417)	(567)	267	(1,123)	(105)	(1,500)
Balance at January 1, 2023	\$ 36,555	\$ 15,785	\$ 9,920	\$ 2,274	\$ 1,151	\$ 283	\$ 32	\$ 66,000
Impact of merger on provisions for non-PCD loans	16,509	7,801	13,092	1,128	1	3,767	14	42,312
Initial allowance for credit losses on PCD loans	3,723	10,311	4,544	—	—	—	—	18,578
Charge-offs	(14)	(23)	(823)	—	(1)	—	—	(861)
Recoveries	39	231	—	30	2	—	29	331
Provision for loan losses (loan loss reversal)	1,775	16,004	1,462	398	(245)	(469)	139	19,064
Balance at September 30, 2023	\$ 58,587	\$ 50,109	\$ 28,195	\$ 3,830	\$ 908	\$ 3,581	\$ 214	\$ 145,424
Reserve for unfunded commitments:								
Balance at December 31, 2022	\$ 494	\$ 8,094	\$ 7,349	\$ 909	\$ 1	\$ 102	\$ 51	\$ 17,000
Impact of CECL adoption	476	(5,369)	(4,496)	(521)	1	(102)	11	(10,000)
Balance at January 1, 2023	\$ 970	\$ 2,725	\$ 2,853	\$ 388	\$ 2	\$ —	\$ 62	\$ 7,000
Impact of merger on provisions for unfunded lending commitments	1,967	4,185	5,096	153	—	—	9	11,410
(Reversal) provision for unfunded lending commitments	(224)	3,435	1,192	115	(2)	—	(50)	4,466
Balance at September 30, 2023	\$ 2,713	\$ 10,345	\$ 9,141	\$ 656	\$ —	\$ —	\$ 21	\$ 22,876
Total allowance for credit losses at September 30, 2023	\$ 61,300	\$ 60,454	\$ 37,336	\$ 4,486	\$ 908	\$ 3,581	\$ 235	\$ 168,300

For the three and nine months ended September 30, 2022, the ACL activity for loans and the reserve for unfunded commitments is summarized in the following tables:

	Real estate mortgage	Production and intermediate-term	Agribusiness	Rural infrastructure	Rural residential real estate	Financing leases	Other	Total
Allowance for loan losses¹:								
Balance at June 30, 2022	\$ 19,543	\$ 19,125	\$ 15,629	\$ 4,746	\$ 1,141	\$ 1,643	\$ 173	\$62,000
Charge-offs	(1)	(45)	—	—	(1)	—	—	(47)
Recoveries	2	113	—	—	—	—	—	115
(Loan loss reversal) provision for loan losses	(197)	2,322	(826)	(129)	(115)	(76)	(47)	932
Balance at September 30, 2022	\$ 19,347	\$ 21,515	\$ 14,803	\$ 4,617	\$ 1,025	\$ 1,567	\$ 126	\$63,000

Reserve for unfunded commitments:								
Balance at June 30, 2022	\$ 880	\$ 8,902	\$ 5,947	\$ 945	\$ 1	\$ 220	\$ 105	\$17,000
(Reversal) provision for unfunded lending commitments	(165)	(1,080)	2,283	(18)	—	(58)	38	1,000
Balance at September 30, 2022	\$ 715	\$ 7,822	\$ 8,230	\$ 927	\$ 1	\$ 162	\$ 143	\$18,000

Total allowance for credit losses at September 30, 2022	\$ 20,062	\$ 29,337	\$ 23,033	\$ 5,544	\$ 1,026	\$ 1,729	\$ 269	\$81,000
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¹For periods prior to January 1, 2023, the allowance for loan losses was based on probable and estimable losses inherent in the loan portfolio.

	Real estate mortgage	Production and intermediate-term	Agribusiness	Rural infrastructure	Rural residential real estate	Financing leases	Other	Total
Allowance for loan losses¹:								
Balance at December 31, 2021	\$ 18,566	\$ 21,940	\$ 11,987	\$ 4,107	\$ 1,333	\$ 1,935	\$ 132	\$60,000
Charge-offs	(2)	(116)	—	—	(1)	—	—	(119)
Recoveries	5	172	—	—	—	—	—	177
Provision for loan losses (loan loss reversal)	778	(481)	2,816	510	(307)	(368)	(6)	2,942
Balance at September 30, 2022	\$ 19,347	\$ 21,515	\$ 14,803	\$ 4,617	\$ 1,025	\$ 1,567	\$ 126	\$63,000

Reserve for unfunded commitments:								
Balance at December 31, 2021	\$ 809	\$ 8,186	\$ 6,004	\$ 1,337	\$ 2	\$ 20	\$ 142	\$16,500
(Reversal) provision for unfunded lending commitments	(94)	(364)	2,226	(410)	(1)	142	1	1,500
Balance at September 30, 2022	\$ 715	\$ 7,822	\$ 8,230	\$ 927	\$ 1	\$ 162	\$ 143	\$18,000

Total allowance for credit losses at September 30, 2022	\$ 20,062	\$ 29,337	\$ 23,033	\$ 5,544	\$ 1,026	\$ 1,729	\$ 269	\$81,000
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¹For periods prior to January 1, 2023, the allowance for loan losses was based on probable and estimable losses inherent in the loan portfolio.

The carrying amount of the PCD loans acquired by AgWest was as follows:

	January 1, 2023
Purchase price of loans at acquisition	\$ 410,309
Allowance for credit losses at acquisition	18,578
Non-credit business combination discount at acquisition	41,643
Carrying value of acquired loans at acquisition	\$ 470,530

Loan Modifications to Borrowers Experiencing Financial Difficulty

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 respective reporting period for loan modifications granted to borrowers experiencing financial difficulty, disaggregated by loan type and type of modification granted:

<i>For the three months ended September 30, 2023</i>	<i>Term extension</i>	<i>Payment deferral</i>	<i>Interest rate reduction and term extension</i>	<i>Term extension and payment deferral</i>	<i>Total</i>	<i>Modification as a percentage of loan class</i>
Real estate mortgage	\$ —	\$ 9,217	\$ —	\$ —	\$ 9,217	0.1%
Production and intermediate-term	5,658	—	7,782	—	13,440	0.2%
Total	\$ 5,658	\$ 9,217	\$ 7,782	\$ —	\$ 22,657	0.1%

<i>For the nine months ended September 30, 2023</i>	<i>Term extension</i>	<i>Payment deferral</i>	<i>Interest rate reduction and term extension</i>	<i>Term extension and payment deferral</i>	<i>Total</i>	<i>Modification as a percentage of loan class</i>
Real estate mortgage	\$ 2,865	\$ 52,944	\$ —	\$ —	\$ 55,809	0.4%
Production and intermediate-term	64,114	2,681	9,929	529	77,253	1.1%
Agribusiness	1,249	1,467	—	—	2,716	0.1%
Total	\$ 68,228	\$ 57,092	\$ 9,929	\$ 529	\$ 135,778	0.5%

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of September 30, 2023, was \$6.1 million.

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the respective reporting period:

<i>For the three months ended September 30, 2023</i>	<i>Weighted average interest rate pre-modification</i>	<i>Weighted average interest rate post-modification</i>	<i>Weighted average term extensions (months)</i>	<i>Weighted average payments deferred (months)</i>
Real estate mortgage	—	—	—	83
Production and intermediate-term	8.70 %	8.60 %	25	—
<i>For the nine months ended September 30, 2023</i>				
Real estate mortgage	—	—	11	55
Production and intermediate-term	7.59 %	7.50 %	14	12
Agribusiness	—	—	10	168

The following table presents an aging analysis of loans to borrowers experiencing financial difficulty that were modified on or after January 1, 2023, through September 30, 2023:

	Payment status of loans modified in the past 12 months		
	Current	30-89 days past due	90 days or more past due
Real estate mortgage	\$ 55,809	\$ —	\$ —
Production and intermediate-term	76,005	973	275
Agribusiness	2,716	—	—
Total	\$ 134,530	\$ 973	\$ 275

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified were \$16.9 million at September 30, 2023.

Troubled Debt Restructurings

The following table provides information on outstanding loans restructured in troubled debt restructurings, including accrued interest:

December 31, 2022	Loans modified as TDRs	TDRs in nonaccrual status
Real estate mortgage	\$ 11,413	\$ 10,684
Production and intermediate-term	10,228	9,639
Rural infrastructure	2,157	2,157
Rural residential real estate	725	—
Total	\$ 24,523	\$ 22,480

NOTE 4 – Members' Equity

Capital Stock and Participation Certificates

In accordance with the Farm Credit Act and AgWest's capitalization bylaws, each borrower is required to acquire capital stock or participation certificates in AgWest as a condition of borrowing. Borrowers acquire ownership of capital stock or participation certificates at the time a loan is made. Generally, AgWest borrowers are not currently required to make a cash investment to acquire capital stock or participation certificates; instead, the obligation to pay for the capital stock or participation certificates is maintained as an interest free obligation with AgWest. These borrowers are responsible for payment of the cash investment upon demand by AgWest. Accordingly, capital stock and participation certificates receivable are included within members' equity in the Consolidated Balance Sheets under a contra account titled 'Less: capital stock and participation certificates receivable'. As a result of the merger on January 1, 2023, all Farm Credit West, ACA borrowers became shareholders of AgWest Farm Credit, ACA at a one-for-one exchange ratio. Certain AgWest borrowers that were previously borrowers of Farm Credit West were required to make a cash investment in capital stock or participation certificates as a condition of borrowing.

All capital stock and participation certificates are at-risk investments as described in the AgWest capitalization bylaws. AgWest retains a first lien on common stock or participation certificates owned by its borrowers. Stock is retired in accordance with AgWest bylaws and only if AgWest is in compliance with its capital adequacy requirements.

Capital Regulations

The FCA sets minimum regulatory capital requirements. AgWest exceeded the regulatory minimums and capital conservation buffer amounts, where applicable, for all ratios. The following table sets forth the regulatory capital ratio requirements and ratios:

	September 30, 2023	December 31, 2022	Regulatory minimums	Total regulatory minimums with buffer
Risk-adjusted:				
Common equity tier 1 ratio	15.5%	17.3%	4.5%	7.0%
Tier 1 capital ratio	15.5%	17.3%	6.0%	8.5%
Total capital ratio	16.0%	17.8%	8.0%	10.5%
Permanent capital ratio	15.6%	17.4%	7.0%	7.0%
Non-risk-adjusted:				
Tier 1 leverage ratio ¹	16.2%	18.3%	4.0%	5.0%
UREE leverage ratio	16.2%	18.3%	1.5%	1.5%

¹Must include the regulatory minimum requirement of at least 1.5 percent of UREE

See Note 8 of the 2022 Northwest FCS Annual Report to Stockholders for a complete description of these ratios.

Accumulated Other Comprehensive Income (Loss)

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

	Pension and other benefit plans, net of tax	Unrealized gains (losses) on investment securities	Accumulated other comprehensive income (loss), net of tax
Balance at June 30, 2023	\$ (28,811)	\$ (46,859)	\$ (75,670)
Other comprehensive income (loss) before reclassifications	—	(21,600)	(21,600)
Amounts reclassified from accumulated other comprehensive income (loss)	476	—	476
Net current period other comprehensive income (loss)	\$ 476	\$ (21,600)	\$ (21,124)
Balance at September 30, 2023	\$ (28,335)	\$ (68,459)	\$ (96,794)
	Pension and other benefit plans, net of tax	Unrealized gains (losses) on investment securities	Accumulated other comprehensive income (loss), net of tax
Balance at December 31, 2022	\$ (28,276)	\$ (37,006)	\$ (65,282)
Other comprehensive income (loss) before reclassifications	(1,062)	(31,453)	(32,515)
Amounts reclassified from accumulated other comprehensive income (loss)	1,003	—	1,003
Net current period other comprehensive income (loss)	\$ (59)	\$ (31,453)	\$ (31,512)
Balance at September 30, 2023	\$ (28,335)	\$ (68,459)	\$ (96,794)

	<i>Pension and other benefit plans, net of tax</i>	<i>Unrealized gains (losses) on investment securities</i>	<i>Accumulated other comprehensive income (loss), net of tax</i>
Balance at June 30, 2022	\$ (25,731)	\$ (26,004)	\$ (51,735)
Other comprehensive income (loss) before reclassifications	—	(13,986)	(13,986)
Amounts reclassified from accumulated other comprehensive income (loss)	373	(90)	283
Net current period other comprehensive income (loss)	\$ 373	\$ (14,076)	\$ (13,703)
Balance at September 30, 2022	\$ (25,358)	\$ (40,080)	\$ (65,438)
	<i>Pension and other benefit plans, net of tax</i>	<i>Unrealized gains (losses) on investment securities</i>	<i>Accumulated other comprehensive income (loss), net of tax</i>
Balance at December 31, 2021	\$ (26,481)	\$ (3,710)	\$ (30,191)
Other comprehensive income (loss) before reclassifications	—	(36,280)	(36,280)
Amounts reclassified from accumulated other comprehensive income (loss)	1,123	(90)	1,033
Net current period other comprehensive income (loss)	\$ 1,123	\$ (36,370)	\$ (35,247)
Balance at September 30, 2022	\$ (25,358)	\$ (40,080)	\$ (65,438)

The following table represents amounts reclassified from accumulated other comprehensive income (loss), net of tax, to the Consolidated Statements of Income and Comprehensive Income:

	<i>Location of gains (losses) recognized in Consolidated Statements of Income and Comprehensive Income</i>	<i>Amount reclassified from accumulated other comprehensive income (loss)</i>	
		<i>2023</i>	<i>2022</i>
<i>For the three months ended September 30,</i>			
Unrealized gains (losses) on investment securities available-for-sale, net:			
Gain on sales, net	Other noninterest income	\$ —	\$ 90
Pension and other benefit plans:			
Amortization of net actuarial loss	Salaries and employee benefits	\$ (476)	\$ (378)
Deferred tax	Provision for income taxes	—	5
Total reclassifications		\$ (476)	\$ (283)
	<i>Location of gains (losses) recognized in Consolidated Statements of Income</i>	<i>Amount reclassified from accumulated other comprehensive income (loss)</i>	
		<i>2023</i>	<i>2022</i>
<i>For the nine months ended September 30,</i>			
Unrealized gains (losses) on investment securities available-for-sale, net:			
Gain on sales, net	Other noninterest income	\$ —	\$ 90
Pension and other benefit plans:			
Amortization of net actuarial loss	Salaries and employee benefits	\$ (1,430)	\$ (1,137)
Deferred tax	Provision for income taxes	427	14
Total reclassifications		\$ (1,003)	\$ (1,033)

NOTE 5 – 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. See Note 2 of the 2022 Northwest FCS Annual Report to Stockholders for a more complete description.

Assets and liabilities measured at fair value on a recurring basis for each of the fair value hierarchy values are summarized in the following tables:

September 30, 2023	Classification in the Consolidated Balance Sheets	Fair value measurement using			
		Level 1	Level 2	Level 3	Total fair value
Assets:					
Investment securities	Investment securities	\$ —	\$ 1,749,185	\$ —	\$ 1,749,185
Rural Business Investment Companies (RBICs)	Other assets	—	—	20,235	20,235
Total assets		\$ —	\$ 1,749,185	\$ 20,235	\$ 1,769,420
Liabilities:					
Derivative liabilities	Other liabilities	\$ —	\$ 1,170	\$ —	\$ 1,170
Total liabilities		\$ —	\$ 1,170	\$ —	\$ 1,170

December 31, 2022	Classification in the Consolidated Balance Sheets	Fair value measurement using			
		Level 1	Level 2	Level 3	Total fair value
Assets:					
Investment securities	Investment securities	\$ —	\$ 606,343	\$ —	\$ 606,343
Rural Business Investment Companies (RBICs)	Other assets	—	—	9,167	9,167
Total assets		\$ —	\$ 606,343	\$ 9,167	\$ 615,510
Liabilities:					
Derivative liabilities	Other liabilities	\$ —	\$ 3,324	\$ —	\$ 3,324
Total liabilities		\$ —	\$ 3,324	\$ —	\$ 3,324

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

	Fair value measurement using			
	Level 1	Level 2	Level 3	Total fair value
Assets:				
Nonaccrual Loans				
September 30, 2023	\$ —	\$ —	\$ 60,885	\$ 60,885
December 31, 2022	\$ —	\$ —	\$ 13,546	\$ 13,546
Other property owned				
September 30, 2023	\$ —	\$ —	\$ 13,296	\$ 13,296
December 31, 2022	\$ —	\$ —	\$ —	\$ —

Valuation Techniques

As more fully discussed in Note 2 of the 2022 Northwest FCS Annual Report to Stockholders, accounting guidance establishes a fair value hierarchy, which requires AgWest to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represents a brief summary of the valuation techniques used for AgWest's assets and liabilities.

Investment Securities

Where quoted prices are available in an active market, available-for-sale securities would be classified as level 1. If quoted prices are not available in an active market, the fair value of securities is estimated using quoted prices for similar securities received from pricing services or discounted cash flows. Generally, these securities would be classified as Level 2. This would include U.S Treasury, U.S. Agency and certain mortgage-backed-securities. Where there is limited activity or less transparency around inputs to the valuation, the securities are classified as Level 3. The estimated fair values of investment securities also appear in Note 2.

Derivative Assets and Liabilities

Exchange-traded derivatives valued using quoted prices would be classified within the fair value Level 1 hierarchy. However, few classes of derivative contracts are listed on an exchange; thus, the derivative positions are valued using internally developed models that use as their basis readily observable market parameters and are classified within the fair value Level 2 of the valuation hierarchy. Such derivatives include interest rate swaps. The models used to determine the fair value of derivative assets and liabilities use an income approach based on observable market inputs, including the underlying reference rate SOFR curves and volatility assumptions about future interest rate movements.

RBICs

The RBICs facilitate equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. These investments are not publicly traded and book value approximates their fair value. As a result, RBICs are classified within fair value Level 3 hierarchy.

Nonaccrual Loans

Nonaccrual loans are evaluated for impairment under FASB impairment guidance and 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, a majority of these loans have fair value measurements that fall within Level 3 of the fair value 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.

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of other property owned involves the use of independent appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 6 – Derivative Instruments and Hedging Activities

Risk Management Objectives and Strategies

AgWest maintains an overall risk management strategy that incorporates the use of derivative financial instruments to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. See Note 15 of the 2022 Northwest FCS Annual Report to Stockholders for additional information.

Uses of Derivatives

To achieve risk management objectives and satisfy the financing needs of its borrowers, AgWest executes derivative transactions with CoBank. Derivatives (interest rate swaps) are used to manage liquidity and the interest rate risk arising from maturity and repricing mismatches between assets and liabilities. Under interest rate swap arrangements, AgWest agrees to exchange with CoBank, at specified intervals, interest payment streams calculated on a specified notional amount, with at least one interest payment stream based on a specified floating-rate index. AgWest uses receive-fixed, pay-floating interest rate swaps with payment obligations tied to specific indices.

The notional amounts of derivatives and related activity of derivatives are shown in the following tables:

	<i>Activity in the notional amounts of receive-fixed swap derivative financial instruments</i>	
December 31, 2022	\$	225,000
Additions		—
Maturities		(178,000)
September 30, 2023	\$	47,000

	<i>Activity in the notional amounts of receive-fixed swap derivative financial instruments</i>	
December 31, 2021	\$	140,000
Additions		100,000
Maturities		(2,000)
September 30, 2022	\$	238,000

Accounting for Derivative Instruments and Hedging Activities

AgWest records derivatives as assets or liabilities at fair value in the Consolidated Balance Sheets. AgWest records changes in the fair value of a derivative in current period earnings. For fair value hedge transactions that hedge changes in the fair value of assets or liabilities, changes in the fair value of the derivative will generally be offset in the Consolidated Statements of Income and Comprehensive Income by changes in the hedged item's fair value attributable to the risk being hedged.

Fair Value Hedges

AgWest's fair value hedging activities involve entering into receive-fixed, pay floating interest rate swaps to either align its equity position within its overall risk management strategy (equity positioning) or to synthetically convert non-callable fixed-rate debt to floating-rate debt (liquidity management). AgWest includes the gain or loss on the hedged items in the same line item (interest expense) as the offsetting loss or gain on the related interest rate swaps.

The following amounts were recorded in the balance sheet related to fair value hedges:

	<i>Carrying amount of the hedged item</i>	
	<i>September 30, 2023</i>	<i>December 31, 2022</i>
Note payable to CoBank, ACB	\$ 45,791	\$ 221,645
	<i>Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged item</i>	
	<i>September 30, 2023</i>	<i>December 31, 2022</i>
Note payable to CoBank, ACB	\$ (1,209)	\$ (3,355)

Summary of Derivative Instruments and Hedging Activities

A summary of the impact of derivative financial instruments in the Consolidated Balance Sheets is shown in the following tables:

<i>September 30, 2023</i>	<i>Fair value of derivative financial instruments</i>	
	<i>Derivative assets¹</i>	<i>Derivative liabilities²</i>
Receive-fixed swaps	\$ —	\$ 1,170
Total derivatives designated as hedging instruments	\$ —	\$ 1,170

¹Derivative assets are included in other assets in the Consolidated Balance Sheets.

²Derivative liabilities are included in other liabilities in the Consolidated Balance Sheets.

December 31, 2022	Fair value of derivative financial instruments	
	Derivative assets ¹	Derivative liabilities ²
Receive-fixed swaps	\$ —	\$ 3,324
Total derivatives designated as hedging instruments	\$ —	\$ 3,324

¹Derivative assets are included in other assets in the Consolidated Balance Sheets.

²Derivative liabilities are included in other liabilities in the Consolidated Balance Sheets.

A summary of the impact of derivative financial instruments in the Consolidated Statements of Income and Comprehensive Income is shown in the following tables:

For the nine months ended September 30, 2023	Effect of fair value hedge accounting in the Consolidated Statements of Income and Comprehensive Income	
	Interest income	Interest expense
Total amount of line items presented in Consolidated Statements of Income and Comprehensive Income	\$ 1,430,287	\$ (806,111)
Gain (loss) on fair value hedge relationships:		
Receive-fixed swaps:		
Recognized on derivatives	\$ —	\$ 2,154
Recognized on hedged items	—	(2,146)
Net income recognized on fair value hedges	\$ —	\$ 8

For the nine months ended September 30, 2022	Effect of fair value hedge accounting in the Consolidated Statements of Income and Comprehensive Income	
	Interest income	Interest expense
Total amount of line items presented in Consolidated Statements of Income and Comprehensive Income	\$ 442,575	\$ (134,010)
Gain (loss) on fair value hedge relationships:		
Receive-fixed swaps:		
Recognized on derivatives	\$ —	\$ (7,405)
Recognized on hedged items	—	7,456
Net income recognized on fair value hedges	\$ —	\$ 51

Counterparty Credit Risk

The use of derivatives for risk management introduces counterparty credit risk. Generally, when the fair value of a derivative contract is positive, AgWest is exposed to credit risk. AgWest has an International Swaps and Derivatives Association, Inc. agreement with CoBank, which meets the definition of a Qualifying Master Netting Agreement per FCA Regulations and requires the net settlement of covered contracts. Collateral is not exchanged between AgWest and CoBank. Notwithstanding netting provisions, derivative assets and liabilities are not offset in the accompanying Consolidated Balance Sheets.

NOTE 7 – Subsequent Events

AgWest has evaluated subsequent events through November 9, 2023, the date the financial statements were issued or available to be issued, and determined there are no other items to disclose.

Board of Directors

Nathan Riggers, Chair	Nezperce, Idaho
Douglas Filipponi, Vice Chair	Creston, California
Joseph Airoso	Pixley, California
Robert Amarel Jr.	Yuba City, California
Mark Cook	Willcox, Arizona
Nels DeBruycker	Choteau, Montana
Susan Doverspike	Burns, Oregon
Vicki Eggebrecht	Belgrade, Montana
Catherine Fanucchi	Bakersfield, California
Craig Gnos	El Macero, California
Duane (Skip) Gray	Albany, Oregon
Robert Hansen	Hanford, California
Blake Harlan	Woodland, California
John Helle	Dillon, Montana
Greg Hirai	Wendell, Idaho
Tom Ikeda	Arroyo Grande, California
Beth Kennar	Spokane, Washington
Bill Martin	Rufus, Oregon
Colin Mellon	Yuma, Arizona
Barry Powell	Sacramento, California
Derek Schafer	Ritzville, Washington
Brian Talley	Arroyo Grande, California
Shawn Walters	Teton, Idaho
Andy Werkhoven	Monroe, Washington

Operating Committee

Mark Littlefield	President and Chief Executive Officer
Tom Nakano	Chief Financial Officer
Bill Perry	Chief Lending Officer-North
Dan Clawson	Chief Lending Officer-South
John Phelan	Chief Credit Officer
John Barcelos	Chief Risk Officer
Linda Hendricksen	Chief Engagement Officer
Tom McKeirnan	General Counsel
Jeff Hennig	Chief Auditor
Denise Warkomski	Chief Business Solutions Officer