2022 Quarterly Report

March 31, 2022

Quarterly Report
March 31, 2022
Northwest Farm Credit Services, 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 Northwest Farm Credit Services, an Agricultural Credit Association (ACA) and its wholly-owned subsidiaries (collectively referred to as Northwest FCS) for the three months ended March 31, 2022. These comments should be read in conjunction with the unaudited consolidated financial statements and related notes included in this report, as well as the 2021 Annual Report to Stockholders. Dollar amounts are in thousands unless otherwise noted.

Northwest FCS quarterly and annual reports to stockholders may be obtained free of charge on Northwest FCS' website, www.northwestfcs.com, or upon request at Northwest Farm Credit Services, 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 Northwest FCS. Stockholders of Northwest FCS may obtain copies of CoBank's financial statements free of charge by accessing CoBank's website, www.cobank.com, or upon request at Northwest FCS.

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 within the meaning of the Private Securities Litigation Reform Act. Actual results may differ materially from those included in the forward-looking statements that relate to plans, projections, expectations and intentions. Forward-looking statements are typically identified by words such as "believe," "expect," "anticipate," "intend," "estimate," "plan," "project," "may," "will," "should," "would," "could" or similar expressions. Although it is believed that information expressed or implied in such forward-looking statements is reasonable, no assurance can be given that such projections and expectations will be realized or the extent to which a particular plan, projection, or expectation may be realized. These forward-looking statements are based on current knowledge and are subject to various risks and uncertainties, including, but not limited to:

- Political (including trade policies), legal, regulatory, financial markets and economic conditions and developments in the United States and abroad;
- Global health pandemics;
- Global conflicts;
- Economic fluctuations in the agricultural, rural infrastructure and farm-related business sectors;
- Weather-related, disease and other adverse climatic or biological conditions that impact agricultural productivity and income;
- Changes in U.S. government support of the agricultural industry and the Farm Credit System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government, other government-sponsored enterprises and other financial institutions;
- Actions taken by the Federal Reserve System in implementing monetary policy;
- Actions taken by the U.S. government to manage U.S. fiscal policy, including tax reform;
- Credit, interest rate and liquidity risk inherent in lending activities;
- Transition from London Inter-bank Offered Rate (LIBOR) to an alternative index or indexes;
- Changes in assumptions for determining the allowance for credit losses and fair value measurements;
- Cybersecurity risks, including a failure or breach of operational or security systems or infrastructure, that could adversely affect business, financial performance and reputation;

- Disruptive technologies impacting the banking and financial services industries or implemented by competitors which negatively impact the ability to compete in the marketplace;
- Nonperformance by counterparties to derivative positions;
- The resolution of legal proceedings and related matters; and
- Industry outlook for agricultural conditions and land values.

Merger Activity

During the first quarter of 2022, the Boards of Directors of Northwest FCS and Farm Credit West, ACA, made a strategic decision to enter into a non-binding Letter of Intent to pursue a merger of the two organizations. The consolidated association would be headquartered in Spokane, Washington. Upon completion of the merger, the association would serve over 23,000 customers in Alaska, Arizona, California, Idaho, Montana, Nevada, Oregon and Washington with expected total assets over $28 billion. If the outcome of due diligence is satisfactory and related approvals are received from CoBank and the Farm Credit Administration, customer-owners would vote on the merger in late 2022. If approved, the merger would be effective no earlier than January 1, 2023.

Results of Operations

Net income for the three months ended March 31, 2022, was $84.5 million compared to $79.5 million for the same period of the prior year. The increase for the three month comparative period was primarily due to an increase in noninterest income and an increase in net interest income, partially offset by an increase in noninterest expense and an increase in the provision for credit losses.

Net interest income was $99.5 million for the three months ended March 31, 2022, compared to $92.9 million for the same period of the prior year. 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:

Change between the three months ended March 31, 2022 and 2021	*Change in income/expense*	*Change in rate*	*Change in volume*
Interest income on total loans	$ 5,896	$ (5,376)	$ 11,272
Interest income on investment securities	384	213	171
Total interest income	**$ 6,280**	**$ (5,163)**	**$ 11,443**
Total interest expense	323	3,914	(3,591)
Net interest income	**$ 6,603**	**$ (1,249)**	**$ 7,852**

Information regarding the average daily balances and average rates earned and paid which impact net interest margin are presented in the following table:

For the three months ended March 31,	*2022*	*2021*
Net interest income	$ 99,504	$ 92,901
Average balances:		
Total loans	$ 13,843,325	$ 12,701,342
Investment securities	424,824	276,835
Average interest earning assets	**$ 14,268,149**	**$ 12,978,177**
Average interest bearing liabilities	**$ 11,789,979**	**$ 10,625,910**
Net interest margin	2.83%	2.90%

During the three months ended March 31, 2022 and 2021, there was a provision for credit losses of $4.0 million and $0.5 million, respectively. Refer to the Loan Portfolio section below for additional discussion on credit quality.

Noninterest income for the three months ended March 31, 2022, was $36.6 million compared to $29.2 million for the same period of the prior year, an increase of $7.3 million or 25.0 percent, primarily due to increases in patronage income and financially related services.

Noninterest expense for the three months ended March 31, 2022, and 2021, was $47.3 million and $41.8 million, respectively, an increase of $5.5 million or 13.1 percent. The increase in noninterest expense for the three month comparative period was primarily due to increases in other noninterest expense, occupancy and equipment and salaries and employee benefits.

Outlook

As the broader economy and marketplace continues to transition into the post COVID-19 pandemic environment, and as geopolitical tensions increase, Northwest FCS and its customers face a number of unique opportunities and challenges. While Northwest FCS cannot fully determine the longer-term extent of the impact of these world events on its business and customers in future periods, it continues to monitor the situation and potential impacts.

For additional information on the industries served by Northwest FCS, visit Industry Insights in the Resources section of www.northwestfcs.com.

Financial Condition

Loan Portfolio

Loans and accrued interest by type are presented in the following table:

	March 31, 2022	*December 31, 2021*	*Change*
Production agriculture:			
Real estate mortgage	$ 7,045,477	$ 7,003,397	$ 42,080
Production and intermediate-term	3,118,282	3,331,925	(213,643)
Agribusiness:			
Processing and marketing	1,821,612	1,572,896	248,716
Loans to cooperatives	761,096	522,960	238,136
Farm related business	329,545	315,425	14,120
Rural infrastructure:			
Energy	305,450	298,893	6,557
Communications	179,793	158,523	21,270
Water and waste disposal	89,463	88,933	530
Rural residential real estate	320,792	339,364	(18,572)
Other:			
Leases	69,101	72,263	(3,162)
Other	4,271	8,218	(3,947)
Total	**$ 14,044,882**	**$ 13,712,797**	**$ 332,085**

The loan portfolio is comprised of a wide array of commodities, which are summarized by concentration in the following table:

	March 31, 2022	*December 31, 2021*
Dairy	10.9%	11.5%
Fruit and tree nuts	10.7%	11.1%
Cattle and livestock	9.8%	10.0%
Forest products	8.5%	8.7%
Agricultural services	7.4%	5.4%
Potatoes	6.3%	6.7%
Ag processing	6.1%	6.2%
Grains	5.9%	6.1%
Other concentrations in aggregate	34.4%	34.3%
Total	**100.0%**	**100.0%**

Impaired loan volume is comprised of nonaccrual loans, restructured loans, and accrual loans 90 days or more past due. Nonperforming assets consist of impaired loans and other property owned. Comparative information regarding nonperforming assets in the portfolio, including accrued interest where appropriate, are presented in the following table:

		March 31, 2022		*December 31, 2021*
Nonperforming assets:				
Nonaccrual loans	$	43,508	$	49,526
Restructured accrual loans		4,805		4,964
Accrual loans 90 days or more past due		1,043		2,782
Total impaired loans and interest	**$**	**49,356**	**$**	**57,272**
Other property owned, net		—		—
Total nonperforming assets	**$**	**49,356**	**$**	**57,272**
Nonaccrual loans to total loans and accrued interest		0.3%		0.4%
Impaired loans to total loans and accrued interest		0.4%		0.4%
Nonperforming assets to total loans and accrued interest		0.4%		0.4%

Nonperforming assets at March 31, 2022, decreased by $7.9 million compared to December 31, 2021. Nonaccrual loans decreased by $6.0 million from December 31, 2021, and consist primarily of dairy and energy commodities. Accrual loans 90 days or more past due decreased by $1.7 million from December 31, 2021, and were adequately secured and in the process of collection. Accruing restructured loan volume decreased by $0.2 million compared to December 31, 2021.

The allowance for credit losses at March 31, 2022, was $80.5 million compared to $76.5 million at December 31, 2021. The increase as compared to year-end is primarily due to qualitative adjustments and loan growth. Net charge offs for the three months ended March 31, 2022 and 2021, were $30 thousand and $39 thousand, respectively.

At March 31, 2022, patronage receivable decreased by $67.1 million compared to December 31, 2021, from the receipt of patronage, partially offset by amounts recorded related to the estimate of patronage receivable for 2022.

At March 31, 2022, patronage payable decreased by $122.7 million compared to December 31, 2021, as a result of the disbursement of patronage, partially offset by accruals recorded related to the estimate of patronage payable for 2022.

Liquidity, Investment Securities and Funding Source

The primary source of Northwest FCS 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 a general financing agreement. Northwest FCS 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.

Northwest FCS has two secondary sources of liquidity and funding, with the first being a Liquidity Investments Portfolio managed by Northwest FCS. 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, Northwest FCS 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 Northwest FCS' normal funding sources. Additional investment securities information is in Note 2.

Northwest FCS' other 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 $75.0 million and is intended to provide liquidity for disaster recovery or other emergency situations. At March 31, 2022, no balance was outstanding on this line of credit.

Capital Regulations

The Farm Credit Administration (FCA) sets minimum regulatory capital requirements. Northwest FCS 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:

	March 31, 2022	*December 31, 2021*	*Regulatory minimums*	*Total regulatory minimums with buffer*
Risk-adjusted:				
Common equity tier 1 ratio	16.8%	17.4%	4.5%	7.0%
Tier 1 capital ratio	16.8%	17.4%	6.0%	8.5%
Total capital ratio	17.3%	17.9%	8.0%	10.5%
Permanent capital ratio	16.9%	17.5%	7.0%	7.0%
Non-risk-adjusted:				
Tier 1 leverage ratio*	17.8%	18.5%	4.0%	5.0%
UREE leverage ratio	17.8%	19.9%	1.5%	1.5%

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

See Note 8 of the 2021 Annual Report to Stockholders for a complete description of these ratios.

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 months ended March 31, 2022.

Phil DiPofi
President and CEO

May 6, 2022

Tom Nakano
EVP-Chief Administrative and Financial Officer
May 6, 2022

Nathan Riggers
Chair of the Board

May 6, 2022

NORTHWEST FARM CREDIT SERVICES, ACA

Consolidated Balance Sheets

(dollars in thousands) (unaudited)

	March 31, 2022	December 31, 2021
ASSETS		
Cash	$ 14,818	$ 55,287
Investment securities	438,790	422,301
Loans	13,953,913	13,610,719
Less: allowance for loan losses	64,500	60,000
Net loans	13,889,413	13,550,719
Accrued interest receivable	92,743	103,704
Investment in CoBank, ACB	419,852	444,046
Patronage receivable	27,931	94,986
Investment in Farm Credit System Entities	73,937	73,983
Premises and equipment, net	49,909	48,194
Other assets	30,098	33,897
Total assets	$ 15,037,491	$ 14,827,117
LIABILITIES		
Note payable to CoBank, ACB	$ 11,316,478	$ 11,040,740
Advance conditional payments and other interest bearing liabilities	586,692	526,948
Accrued interest payable	26,490	24,138
Patronage payable	42,361	165,030
Other liabilities	50,015	80,830
Total liabilities	12,022,036	11,837,686
MEMBERS' EQUITY		
Capital stock and participation certificates	13,490	13,480
Less: capital stock and participation certificates receivable (Note 4)	(13,490)	(13,480)
Accumulated other comprehensive loss, net of tax	(46,295)	(30,191)
Unallocated retained earnings	3,061,750	3,019,622
Total members' equity	3,015,455	2,989,431
Total liabilities and members' equity	$ 15,037,491	$ 14,827,117

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

NORTHWEST FARM CREDIT SERVICES, ACA

Consolidated Statements of Income

(dollars in thousands) (unaudited)

	For the three months ended March 31, 2022	2021
NET INTEREST INCOME		
Interest income	$ 131,964	$ 125,684
Interest expense	32,460	32,783
Net interest income	99,504	92,901
Provision for credit losses	4,030	539
Net interest income after provision for credit losses	95,474	92,362
NONINTEREST INCOME		
Patronage	24,262	20,157
Financially related services	5,459	2,895
Loan and other fees	3,579	3,893
Other noninterest income	3,263	2,295
Total noninterest income	36,563	29,240
NONINTEREST EXPENSE		
Salaries and employee benefits	25,592	24,166
Purchased services	7,269	6,728
Insurance fund premiums	4,084	3,756
Occupancy and equipment	3,919	2,486
Other noninterest expenses	6,424	4,676
Total noninterest expense	47,288	41,812
Income before income taxes	84,749	79,790
Provision for income taxes	271	267
Net income	$ 84,478	$ 79,523

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

NORTHWEST FARM CREDIT SERVICES, ACA

Consolidated Statements of Comprehensive Income

(dollars in thousands) (unaudited)

For the three months ended March 31,	***2022***	***2021***
Net income	$ 84,478	$ 79,523
Amortization of costs included in net periodic pension cost, net of deferred income tax	378	397
Net change in unrealized loss on investment securities	(16,482)	(1,400)
Other comprehensive loss, net of tax	(16,104)	(1,003)
Comprehensive income	$ 68,374	$ 78,520

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

NORTHWEST FARM CREDIT SERVICES, ACA

Consolidated Statements of Changes in Members' Equity

(dollars in thousands) (unaudited)

For the three months ended March 31,	***2022***	***2021***
Balance at beginning of period	$ 2,989,431	$ 2,804,908
Comprehensive income	68,374	78,520
Issuance of stock in exchange for customer stock receivable	475	506
Release of customer stock receivable associated with retired stock	(464)	(463)
Less: capital stock and participation certificates receivable (Note 4)	(11)	(43)
Patronage	(42,350)	(40,498)
Balance at end of period	$ 3,015,455	$ 2,842,930

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

NORTHWEST FARM CREDIT SERVICES, ACA

Notes to Financial Statements (unaudited)

NOTE 1 – Organization and Significant Accounting Policies

Organization

A description of the organization and operations of Northwest FCS, the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2021, are contained in the 2021 Annual Report to Stockholders. These unaudited results for the three months ended March 31, 2022, should be read in conjunction with the 2021 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 as of and for the year ended December 31, 2021, as contained in the 2021 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 Income Statements for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2022. Descriptions of the significant accounting policies are included in the 2021 Annual Report to Stockholders. 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.

Recently Issued or Adopted Accounting Pronouncements

In March 2022, the Financial Accounting Standards Board (FASB) issued guidance, Financial Instruments-Credit Losses, Troubled Debt Restructurings and Vintage Disclosures. The guidance addresses areas identified by the FASB as part of its post-implementation review of the credit losses standard that introduced the current expected credit losses (CECL) model. The amendments eliminate the accounting guidance for troubled debt restructurings by creditors that have adopted the CECL model and enhance the disclosure requirement for loan refinancings and restrictions made with borrowers experiencing financial difficulty. In addition, the amendments require entities to disclose current-period gross write-offs for financing receivables and net investment in leases by year of origination in the vintage disclosures. This guidance becomes effective upon the adoption of the CECL model, discussed below.

In June 2016, the FASB issued guidance, Measurement of Credit Losses on Financial Instruments. The guidance, commonly referred to as CECL, replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance, as updated and amended in November 2019, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. Northwest FCS continues to evaluate the impact this guidance will have on its financial statements upon adoption, which will be partially dependent on the composition of its portfolio and asset quality at the adoption date, as well as economic conditions and forecasts at the time of adoption. Implementation efforts are underway and include the development and testing of Northwest FCS' systems, data requirements, guidance interpretation and related accounting policy decisions and consideration of relevant internal processes and controls.

In January 2021, the FASB issued an update to Reference Rate Reform whereby certain derivative instruments may be modified to change the rate used for margining, discounting or contract price alignment. An entity may 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 do 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. Northwest FCS is evaluating the impact of adoption and expects minimal impact to its consolidated financial condition and results of operations.

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:

March 31, 2022	*Amortized cost*	*Gross unrealized gains*	*Gross unrealized losses*	*Fair value*
U.S. Treasury debt securities	$ 458,982	$ 32	$ (20,224)	$ 438,790
Total	**$ 458,982**	**$ 32**	**$ (20,224)**	**$ 438,790**

December 31, 2021	*Amortized cost*	*Gross unrealized gains*	*Gross unrealized losses*	*Fair value*
U.S. Treasury debt securities	$ 426,012	$ 591	$ (4,302)	$ 422,301
Total	**$ 426,012**	**$ 591**	**$ (4,302)**	**$ 422,301**

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 March 31, 2022:

	Contractual maturity			
March 31, 2022	*In one year or less*	*One to five years*	*Five to ten years*	*Total*
U.S. Treasury debt securities				
Amortized cost	$ 25,311	$ 331,214	$ 102,457	**$ 458,982**
Fair value	$ 24,972	$ 317,680	$ 96,138	**$ 438,790**
Weighted average yield	0.14%	0.63%	1.33%	**0.76%**

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 March 31, 2022. The continuous loss position is based on the date the unrealized loss was first identified.

	Less than 12 months		*Greater than 12 Months*	
March 31, 2022	*Fair value*	*Unrealized losses*	*Fair value*	*Unrealized losses*
U.S. Treasury debt securities	$ 331,624	$ (15,449)	$ 97,596	$ (4,775)
Total	**$ 331,624**	**$ (15,449)**	**$ 97,596**	**$ (4,775)**

As of March 31, 2022, Northwest FCS expects to collect all principal and interest on its investment securities. Northwest FCS does not intend to sell the securities in unrealized loss positions, nor is it likely that Northwest FCS will be required to sell such securities, for regulatory, liquidity or other purposes, before an anticipated recovery of its cost basis occurs.

NOTE 3 – Loans and Allowance for Credit Losses

A summary of loan principal outstanding follows:

	March 31, 2022	December 31, 2021
Real estate mortgage	$ 6,983,337	$ 6,926,476
Production and intermediate-term	3,100,894	3,316,291
Agribusiness	2,903,132	2,404,311
Rural infrastructure	573,703	545,149
Rural residential real estate	319,884	338,374
Other	72,963	80,118
Total loans	**$ 13,953,913**	**$ 13,610,719**

Northwest FCS 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:

	Farm Credit institutions		Non- Farm Credit institutions		Total	
March 31, 2022	Participations purchased	Participations sold	Participations purchased	Participations sold	Participations purchased	Participations sold
Real estate mortgage	$ 634,748	$ 673,390	$ —	$ —	$ 634,748	$ 673,390
Production and intermediate-term	641,118	3,393,639	4	—	641,122	3,393,639
Agribusiness	1,409,862	1,251,462	2,440	5,000	1,412,302	1,256,462
Rural infrastructure	573,703	—	—	—	573,703	—
Other	68,708	—	—	—	68,708	—
Total	**$ 3,328,139**	**$ 5,318,491**	**$ 2,444**	**$ 5,000**	**$ 3,330,583**	**$ 5,323,491**

	Farm Credit institutions		Non- Farm Credit institutions		Total	
December 31, 2021	Participations purchased	Participations sold	Participations purchased	Participations sold	Participations purchased	Participations sold
Real estate mortgage	$ 628,320	$ 694,485	$ —	$ —	$ 628,320	$ 694,485
Production and intermediate-term	688,383	3,480,621	10	—	688,393	3,480,621
Agribusiness	1,101,912	1,015,247	2,462	5,000	1,104,374	1,020,247
Rural infrastructure	545,149	—	—	—	545,149	—
Other	71,937	—	—	—	71,937	—
Total	**$ 3,035,701**	**$ 5,190,353**	**$ 2,472**	**$ 5,000**	**$ 3,038,173**	**$ 5,195,353**

Nonperforming assets consist of impaired loans and other property owned. The nonperforming assets, including related accrued interest where applicable, are as follows:

		March 31, 2022		December 31, 2021
Nonaccrual loans:				
Real estate mortgage	$	20,423	$	20,787
Production and intermediate-term		13,282		18,837
Agribusiness		333		333
Rural infrastructure		7,999		7,999
Rural residential real estate		1,471		1,482
Other		—		88
Total nonaccrual loans	**$**	**43,508**	**$**	**49,526**
Restructured accrual loans:				
Real estate mortgage	$	1,026	$	1,133
Production and intermediate-term		3,011		2,992
Rural residential real estate		768		839
Total restructured accrual loans	**$**	**4,805**	**$**	**4,964**
Accrual loans 90 days or more past due:				
Real estate mortgage	$	291	$	—
Production and intermediate-term		752		2,782
Total accrual loans 90 days or more past due	**$**	**1,043**	**$**	**2,782**
Total impaired loans	**$**	**49,356**	**$**	**57,272**
Other property owned		—		—
Total nonperforming assets	**$**	**49,356**	**$**	**57,272**

One credit quality indicator utilized by Northwest FCS is the FCA Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

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

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

March 31, 2022	*Acceptable*	*OAEM*	*Substandard/ doubtful*	*Total*
Real estate mortgage	96.8%	1.6%	1.6%	**100.0%**
Production and intermediate-term	94.3%	2.4%	3.3%	**100.0%**
Agribusiness	97.3%	2.5%	0.2%	**100.0%**
Rural infrastructure	98.6%	0.0%	1.4%	**100.0%**
Rural residential real estate	97.0%	0.9%	2.1%	**100.0%**
Other	95.5%	0.6%	3.9%	**100.0%**
Total	**96.4%**	**1.9%**	**1.7%**	**100.0%**

December 31, 2021	*Acceptable*	*OAEM*	*Substandard/ doubtful*	*Total*
Real estate mortgage	96.7%	1.8%	1.5%	**100.0%**
Production and intermediate-term	94.0%	2.7%	3.3%	**100.0%**
Agribusiness	97.4%	2.4%	0.2%	**100.0%**
Rural infrastructure	98.5%	0.0%	1.5%	**100.0%**
Rural residential real estate	96.8%	0.9%	2.3%	**100.0%**
Other	95.8%	0.5%	3.7%	**100.0%**
Total	**96.3%**	**2.0%**	**1.7%**	**100.0%**

The following tables provide an aging analysis of past due loans and accrued interest:

March 31, 2022	*Current loans*	*30-89 days past due*	*90+ days past due*	*Total past due*	*Total*	*Recorded investment 90+ days and accruing interest **
Real estate mortgage	$ 7,015,551	$ 26,062	$ 3,864	$ 29,926	$ 7,045,477	$ 291
Production and intermediate-term	3,106,233	9,825	2,224	12,049	3,118,282	752
Agribusiness	2,910,952	1,128	173	1,301	2,912,253	—
Rural infrastructure	566,707	—	7,999	7,999	574,706	—
Rural residential real estate	319,930	862	—	862	320,792	—
Other	73,266	106	—	106	73,372	—
Total	**$ 13,992,639**	**$ 37,983**	**$ 14,260**	**$ 52,243**	**$ 14,044,882**	**$ 1,043**

**The 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.*

December 31, 2021	*Current loans*	*30-89 days past due*	*90+ days past due*	*Total past due*	*Total*	*Recorded investment 90+ days and accruing interest **
Real estate mortgage	$ 6,953,326	$ 44,080	$ 5,991	$ 50,071	$ 7,003,397	$ —
Production and intermediate-term	3,300,701	21,649	9,575	31,224	3,331,925	2,782
Agribusiness	2,407,490	3,791	—	3,791	2,411,281	—
Rural infrastructure	538,350	—	7,999	7,999	546,349	—
Rural residential real estate	338,884	480	—	480	339,364	—
Other	80,393	88	—	88	80,481	—
Total	**$ 13,619,144**	**$ 70,088**	**$ 23,565**	**$ 93,653**	**$ 13,712,797**	**$ 2,782**

**The 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.*

Additional impaired loan information, including related accrued interest where applicable, is as follows:

March 31, 2022	*Recorded investment **	*Unpaid principal balance ***	*Related allowance*	*Average impaired loans*	*Interest income recognized on impaired loans*
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ —	$ —	$ —	$ 137	$ —
Production and intermediate-term	2,961	3,151	436	2,987	—
Agribusiness	160	160	8	160	—
Rural infrastructure	7,999	7,999	2,000	7,999	—
Rural residential real estate	—	—	—	—	—
Other	—	—	—	—	—
Total impaired loans with a related allowance	**$ 11,120**	**$ 11,310**	**$ 2,444**	**$ 11,283**	**$ —**
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 21,740	$ 23,157	$ —	$ 23,160	$ 111
Production and intermediate-term	14,084	17,853	—	19,137	631
Agribusiness	173	173	—	172	42
Rural infrastructure	—	—	—	—	—
Rural residential real estate	2,239	2,247	—	2,240	113
Other	—	—	—	86	5
Total impaired loans with no related allowance	**$ 38,236**	**$ 43,430**	**$ —**	**$ 44,795**	**$ 902**
Total impaired loans:					
Real estate mortgage	$ 21,740	$ 23,157	$ —	$ 23,297	$ 111
Production and intermediate-term	17,045	21,004	436	22,124	631
Agribusiness	333	333	8	332	42
Rural infrastructure	7,999	7,999	2,000	7,999	—
Rural residential real estate	2,239	2,247	—	2,240	113
Other	—	—	—	86	5
Total impaired loans	**$ 49,356**	**$ 54,740**	**$ 2,444**	**$ 56,078**	**$ 902**

**The 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.*

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

December 31, 2021	*Recorded investment **	*Unpaid principal balance ***	*Related allowance*	*Average impaired loans*	*Interest income recognized on impaired loans*
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ 398	$ 405	$ 2	$ 2,197	$ —
Production and intermediate-term	3,039	3,000	537	2,531	—
Agribusiness	160	160	8	130	—
Rural infrastructure	7,999	7,999	2,000	4,695	—
Rural residential real estate	—	—	—	213	—
Other	—	—	—	8	—
Total impaired loans with a related allowance	**$ 11,596**	**$ 11,564**	**$ 2,547**	**$ 9,774**	**$ —**
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 21,522	$ 22,541	$ —	$ 24,199	$ 1,163
Production and intermediate-term	21,572	25,747	—	24,200	1,069
Agribusiness	173	179	—	1,068	186
Rural infrastructure	—	—	—	667	—
Rural residential real estate	2,321	2,404	—	2,605	241
Other	88	87	—	475	36
Total impaired loans with no related allowance	**$ 45,676**	**$ 50,958**	**$ —**	**$ 53,214**	**$ 2,695**
Total impaired loans:					
Real estate mortgage	$ 21,920	$ 22,946	$ 2	$ 26,396	$ 1,163
Production and intermediate-term	24,611	28,747	537	26,731	1,069
Agribusiness	333	339	8	1,198	186
Rural infrastructure	7,999	7,999	2,000	5,362	—
Rural residential real estate	2,321	2,404	—	2,818	241
Other	88	87	—	483	36
Total impaired loans	**$ 57,272**	**$ 62,522**	**$ 2,547**	**$ 62,988**	**$ 2,695**

**The 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.*

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

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

	Real estate mortgage	Production and intermediate-term	Agribusiness	Rural infrastructure	Rural residential real estate	Other	Total
Allowance for loan losses:							
Balance at December 31, 2021	$ 18,566	$ 22,065	$ 11,987	$ 4,107	$ 1,333	$ 1,942	$ 60,000
Charge-offs	(1)	(71)	—	—	—	—	(72)
Recoveries	2	40	—	—	—	—	42
Provision for loan losses (loan loss reversal)	1,447	(1,193)	4,083	254	(51)	(10)	4,530
Balance at March 31, 2022	**$ 20,014**	**$ 20,841**	**$ 16,070**	**$ 4,361**	**$ 1,282**	**$ 1,932**	**$ 64,500**
Ending balance: Allowance individually evaluated for impairment	$ —	$ 436	$ 8	$ 2,000	$ —	$ —	$ 2,444
Ending balance: Allowance collectively evaluated for impairment *	20,014	20,405	16,062	2,361	1,282	1,932	62,056
Balance at March 31, 2022	**$ 20,014**	**$ 20,841**	**$ 16,070**	**$ 4,361**	**$ 1,282**	**$ 1,932**	**$ 64,500**

**Balances include amounts related to accrual loans 90 days or more past due.*

	Real estate mortgage	Production and intermediate-term	Agribusiness	Rural infrastructure	Rural residential real estate	Other	Total
Allowance for loan losses:							
Balance at December 31, 2020	$ 20,934	$ 29,865	$ 17,404	$ 2,992	$ 2,038	$ 2,267	$ 75,500
Charge-offs	—	(58)	—	—	—	—	(58)
Recoveries	—	19	—	—	—	—	19
(Loan loss reversal) provision for loan losses	(7,543)	5,629	(1,292)	2,213	(493)	25	(1,461)
Balance at March 31, 2021	**$ 13,391**	**$ 35,455**	**$ 16,112**	**$ 5,205**	**$ 1,545**	**$ 2,292**	**$ 74,000**
Ending balance: Allowance individually evaluated for impairment	$ —	$ 267	$ 32	$ —	$ —	$ —	$ 299
Ending balance: Allowance collectively evaluated for impairment *	13,391	35,188	16,080	5,205	1,545	2,292	73,701
Balance at March 31, 2021	**$ 13,391**	**$ 35,455**	**$ 16,112**	**$ 5,205**	**$ 1,545**	**$ 2,292**	**$ 74,000**

**Balances include amounts related to accrual loans 90 days or more past due.*

The recorded investment in loans, including accrued interest, is as follows:

	Real estate mortgage	Production and intermediate-term	Agribusiness	Rural infrastructure	Rural residential real estate	Other	Total
Recorded investment in loans outstanding:							
Ending balance: Loans individually evaluated for impairment	$ 21,449	$ 16,293	$ 333	$ 7,999	$ 2,239	$ —	$ 48,313
Ending balance: Loans collectively evaluated for impairment *	7,024,028	3,101,989	2,911,920	566,707	318,553	73,372	13,996,569
Balance at March 31, 2022	**$ 7,045,477**	**$ 3,118,282**	**$ 2,912,253**	**$ 574,706**	**$ 320,792**	**$ 73,372**	**$ 14,044,882**

**Balances include amounts related to accrual loans 90 days or more past due.*

	Real estate mortgage	Production and intermediate-term	Agribusiness	Rural infrastructure	Rural residential real estate	Other	Total
Recorded investment in loans outstanding:							
Ending balance: Loans individually evaluated for impairment	$ 21,920	$ 21,829	$ 333	$ 7,999	$ 2,321	$ 88	$ 54,490
Ending balance: Loans collectively evaluated for impairment *	6,981,477	3,310,096	2,410,948	538,350	337,043	80,393	13,658,307
Balance at December 31, 2021	**$ 7,003,397**	**$ 3,331,925**	**$ 2,411,281**	**$ 546,349**	**$ 339,364**	**$ 80,481**	**$ 13,712,797**

**Balances include amounts related to accrual loans 90 days or more past due*

Northwest FCS maintains a contingency reserve for unfunded lending commitments, which reflects its best estimate of losses inherent in lending commitments made to customers but not yet disbursed. The reserve for unfunded lending commitments is a component of the allowance for credit losses and is included in other liabilities in the Consolidated Balance Sheets. The provision or reversal for unfunded lending commitments is included within the provision for credit losses in the Consolidated Statements of Income. A summary of changes in the reserve for unfunded lending commitments is as follows:

Three months ended March 31,	*2022*	*2021*
Balance at December 31,	$ 16,500	$ 23,500
(Reversal) provision for unfunded lending commitments	(500)	2,000
Balance at March 31,	**$ 16,000**	**$ 25,500**

For the three months ended March 31, 2022 and 2021, there were no pre-modification or post-modification outstanding recorded investments for TDR's. In addition, as of March 31, 2022 and 2021, there were no TDRs that occurred within the previous 12 months and for which there was a subsequent payment default during the period.

The following tables provide information on outstanding TDRs, including accrued interest. These loans are included as impaired loans in the impaired loans tables.

March 31, 2022	*Loans modified as TDRs*	*TDRs in nonaccrual status*
Real estate mortgage	$ 12,101	$ 11,075
Production and intermediate-term	12,170	9,159
Rural residential real estate	768	—
Total	**$ 25,039**	**$ 20,234**

December 31, 2021	*Loans modified as TDRs*	*TDRs in nonaccrual status*
Real estate mortgage	$ 12,364	$ 11,230
Production and intermediate-term	17,454	14,462
Rural residential real estate	839	—
Total	**$ 30,657**	**$ 25,692**

NOTE 4 – Capital

Capital Stock and Participation Certificates

In accordance with the Farm Credit Act and Northwest FCS' capitalization bylaws, each borrower is required to acquire capital stock or participation certificates in Northwest FCS as a condition of borrowing. Borrowers acquire ownership of capital stock or participation certificates at the time the loan is made. Borrowers are not currently required to make a cash investment to acquire capital stock or participation certificates; however, their obligation to pay for the capital stock or participation certificates is maintained as an interest free obligation with Northwest FCS. The capital stock and participation certificates are at-risk investments as described in the Northwest FCS capitalization bylaws. Northwest FCS retains a first lien on common stock or participation certificates owned by its borrowers. Stock is retired in accordance with Northwest FCS bylaws and only if Northwest FCS is in compliance with its capital adequacy requirements. Borrowers are responsible for payment of the cash investment upon demand by Northwest FCS. 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 (Note 4)'. This has no impact on the capital stock or participation certificates owned by Northwest FCS's borrowers, as borrowers retain all rights afforded to them by the Farm Credit Act.

Accumulated Other Comprehensive (Loss) Income

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

	Pension and other benefit plans, net of tax	*Unrealized losses on investment securities*	*Accumulated other comprehensive (loss) income, net of tax*
Balance at December 31, 2021	$ (26,481)	$ (3,710)	$ (30,191)
Other comprehensive income (loss) before reclassifications	4	(16,482)	(16,478)
Amounts reclassified from accumulated other comprehensive loss	374	—	374
Net current period other comprehensive income (loss)	**$ 378**	**$ (16,482)**	**$ (16,104)**
Balance at March 31, 2022	**$ (26,103)**	**$ (20,192)**	**$ (46,295)**

	Pension and other benefit plans, net of tax	*Unrealized gains/(losses) on investment securities*	*Accumulated other comprehensive (loss) income, net of tax*
Balance at December 31, 2020	$ (28,953)	$ 1,152	$ (27,801)
Other comprehensive loss before reclassifications	—	(1,400)	(1,400)
Amounts reclassified from accumulated other comprehensive loss	397	—	397
Net current period other comprehensive income (loss)	**$ 397**	**$ (1,400)**	**$ (1,003)**
Balance at March 31, 2021	**$ (28,556)**	**$ (248)**	**$ (28,804)**

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

	Location of (losses) gains recognized in Consolidated Statements of Income	*Amount reclassified from accumulated other comprehensive (loss) income*	
For the three months ended March 31,		*2022*	*2021*
Pension and other benefit plans:			
Amortization of net actuarial loss	Salaries and employee benefits	$ (378)	$ (401)
Deferred tax	Provision for income taxes	4	4
Total reclassifications		**$ (374)**	**$ (397)**

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 2021 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:

March 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	$ —	$ 438,790	$ —	$ 438,790
Derivative assets	Other assets	—	563	—	563
Rural Business Investment Companies (RBICs)	Other assets	—	—	6,786	6,786
Total assets		**$ —**	**$ 439,353**	**$ 6,786**	**$ 446,139**
Liabilities:					
Derivative liabilities	Other liabilities	$ —	$ 105	$ —	$ 105
Total liabilities		**$ —**	**$ 105**	**$ —**	**$ 105**

December 31, 2021	*Classification in the Consolidated Balance Sheets*	*Fair value measurement using* Level 1	Level 2	Level 3	*Total fair value*
Assets:					
Investment securities	Investment securities	$ —	$ 422,301	$ —	$ 422,301
Derivative assets	Other assets	—	4,040	—	4,040
Rural Business Investment Companies (RBICs)	Other assets	—	—	5,877	5,877
Total assets		**$ —**	**$ 426,341**	**$ 5,877**	**$ 432,218**

There were no liabilities as of December 31, 2021.

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				
March 31, 2022	$ —	$ —	$ 8,886	$ 8,886
December 31, 2021	$ —	$ —	$ 9,374	$ 9,374

Valuation Techniques

As more fully discussed in Note 2 of the 2021 Annual Report to Stockholders, accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represents a brief summary of the valuation techniques used for Northwest FCS' 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 LIBOR 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 and are included in other assets in the Consolidated Balance Sheets.

Nonaccrual Loans

For nonaccrual loans, it is assumed that collection will result from the disposition of the underlying collateral. Fair value of these loans is estimated to equal the aggregate net realizable value of the underlying collateral. When the net realizable value of collateral exceeds the legal obligation for a particular loan, the legal obligation was used for evaluating fair values of the respective loans. The carrying value of accrued interest receivable was assumed to approximate its fair value. As a result, nonaccrual loans are classified within the fair value Level 3 hierarchy and are included in loans in the Consolidated Balance Sheets.

NOTE 6 – Derivative Instruments and Hedging Activities

Risk Management Objectives and Strategies

Northwest FCS 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 2021 Annual Report to Stockholders for additional information.

Uses of Derivatives

To achieve risk management objectives and satisfy the financing needs of its borrowers, Northwest FCS 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, Northwest FCS 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. Northwest FCS 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:

	Activity in the notional amounts of receive-fixed swap derivative financial instruments
December 31, 2021	$ 140,000
Additions	—
Maturities	—
March 31, 2022	**$ 140,000**

	Activity in the notional amounts of receive-fixed swap derivative financial instruments
December 31, 2020	$ 390,000
Additions	—
Maturities	—
March 31, 2021	**$ 390,000**

Accounting for Derivative Instruments and Hedging Activities

Northwest FCS records derivatives as assets or liabilities at fair value in the Consolidated Balance Sheets. Northwest FCS 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 by changes in the hedged item's fair value attributable to the risk being hedged.

Fair Value Hedges

The notional amount of the fair value hedging activity relates to receive-fixed, pay-floating swaps to align Northwest FCS equity positioning with its overall risk management strategy. Northwest FCS 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:

	Carrying amount of the hedged item	
	March 31, 2022	*December 31, 2021*
Note payable to CoBank, ACB	$ 140,486	$ 144,066

	Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged item	
	March 31, 2022	*December 31, 2021*
Note payable to CoBank, ACB	$ 486	$ 4,066

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:

	Fair value of derivative financial instruments	
March 31, 2022	*Derivative assets (1)*	*Derivative liabilities (2)*
Receive-fixed swaps	$ 563	$ 105
Total derivatives designated as hedging instruments	**$ 563**	**$ 105**

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

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

	Fair value of derivative financial instruments	
December 31, 2021	*Derivative assets (1)*	*Derivative liabilities (2)*
Receive-fixed swaps	$ 4,040	$ —
Total derivatives designated as hedging instruments	**$ 4,040**	**$ —**

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

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

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

	Effect of fair value hedge accounting in the Consolidated Statement of Income	
For the three months ended March 31, 2022	Interest income	Interest expense
Total amount of line items presented in Consolidated Statement of income	$ 131,964	$ (32,460)
Gain (loss) on fair value hedge relationships:		
Receive-fixed swaps:		
Recognized on derivatives	$ —	$ (3,582)
Recognized on hedged items	—	3,580
Net expense recognized on fair value hedges	**$ —**	**$ (2)**

For the three months ended March 31, 2021	Effect of fair value hedge accounting in the Consolidated Statement of Income Interest income	 Interest expense
Total amount of line items presented in Consolidated Statement of income	$ 125,684	$ (32,783)
Gain (loss) on fair value hedge relationships:		
Receive-fixed swaps:		
Recognized on derivatives	$ —	$ (2,844)
Recognized on hedged items	—	2,844
Net income recognized on fair value hedges	**$ —**	**$ —**

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, Northwest FCS is exposed to credit risk. Northwest FCS 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 Northwest FCS and CoBank. Notwithstanding netting provisions, derivative assets and liabilities are not offset in the accompanying Consolidated Balance Sheets.

NOTE 7 – Subsequent Events

Northwest FCS has evaluated subsequent events through May 6, 2022, 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
John Helle, Vice Chair	Dillon, Montana
Christy Burmeister-Smith	Bellingham, Washington
Nels DeBruycker	Choteau, Montana
Susan Doverspike	Burns, Oregon
Vicki Eggebrecht	Malta, Montana
Duane (Skip) Gray	Albany, Oregon
Greg Hirai	Wendell, Idaho
Beth Kennar	Spokane, Washington
Bill Martin	Rufus, Oregon
Dave Nisbet	Bay Center, Washington
Derek Schafer	Ritzville, Washington
Shawn Walters	Newdale, Idaho
Andy Werkhoven	Monroe, Washington

Management Executive Committee

Phil DiPofi	President and Chief Executive Officer
Linda Hendricksen	Executive Vice President-Chief Marketing and Learning Officer
Tom McKeirnan	Executive Vice President-General Counsel
Tom Nakano	Executive Vice President-Chief Administrative and Financial Officer
Bill Perry	Executive Vice President-Chief Lending Officer
John Phelan	Executive Vice President-Chief Risk and Credit Officer
David Barbieri	Senior Vice President-Chief Information Officer
Candy Casteal	Head of Specialized Lending
Brent Fetsch	Oregon President
Doug Robison	Idaho President
Megan Shroyer	Montana President
Josh Siler	Washington President