
**First Quarter 2022
Report to Shareholders**



Farm Credit West

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Management's Discussion and Analysis

The following commentary is a review of the consolidated financial condition and results of operations of Farm Credit West, ACA and its subsidiaries Farm Credit West, FLCA and Farm Credit West, PCA (Farm Credit West or Association). These comments should be read in conjunction with the unaudited first quarter 2022 consolidated financial statements and related notes included in this report, as well as the 2021 Annual Report to Shareholders. Shareholders may obtain copies of the Quarterly or Annual Report to Shareholders free of charge by calling our corporate headquarters at 916-780-1166, by writing to Farm Credit West, 3755 Atherton Road, Rocklin, CA 95765, or by accessing our website at www.farmcreditwest.com. Additionally, the financial condition and results of operations of CoBank, ACB (CoBank), our funding bank, may materially affect the risk associated with shareholder investments in Farm Credit West. Shareholders of Farm Credit West may obtain copies of CoBank's Quarterly or Annual Report to Shareholders free of charge by calling 916-780-1166, by writing to Farm Credit West, 3755 Atherton Road, CA, 95765, or by accessing CoBank's website at www.cobank.com.

Merger Activity

During the first quarter of 2022, the Boards of Directors of Farm Credit West and Northwest Farm Credit Services, 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.

Loan and Lease Volume

Loan and lease volume (net of sold loan and lease participations) was \$12.6 billion at March 31, 2022, an increase of \$167.1 million since December 31, 2021. The net increase was primarily due to increases of \$397.1 million in agribusiness volume, a \$33.8 million increase in volume on rural infrastructure, and a \$27.4 million increase in real estate mortgage volume. Partially offsetting these increases was a decrease of \$286.0 million in production and intermediate term volume and a \$5.2 million decrease in direct financing lease volume.

In addition to the \$12.6 billion of loan and lease volume reported on our balance sheet at March 31, 2022, we serviced loans and leases totaling \$3.3 billion held by other institutions.

Loan Portfolio Quality

As shown in the following table, our loan quality statistics for the first quarter of 2022, remained consistent with those at December 31, 2021.

	March 31, 2022	December 31, 2021	December 31, 2020
Nonadversely classified	97.0%	97.0%	95.6%
Adversely classified	3.0%	3.0%	4.4%

Economic Overview and Commodities

Agriculture in the area served by Farm Credit West is highly diversified and under normal conditions generally less susceptible to financial volatility than other areas of the U.S. because of the diversity in commodities produced. However, the prolonged Coronavirus pandemic (COVID-19) over the past two years caused worldwide disruptions to financial markets, numerous business sectors, and human capital.

The tree nut, table grape and dairy industries, which are significant exposures in our portfolio, are very dependent on export markets. The first wave of COVID-19 cases caused significant levels of stress in these commodities due to the impact on export markets (sales reductions) and general economic uncertainty. While most markets recovered from the uncertainty, exports remain at lower levels due to continued container shortages and port slowdowns. The prolonged COVID-19 pandemic, including new variants, have caused further stress to those industries dependent on export markets.

Other noteworthy economic factors include inflationary pressure, the U.S. labor supply, and drought. Disruptions in the supply chain continue to cause scarcity in some needed inputs in the agricultural processing chain, resulting in reduced production and/or substantially increased costs to producers. Inflation increased significantly in the second half of 2021 and continued to accelerate in the first quarter of 2022. The Federal Reserve increased the overnight interest rate in March of 2022 for the first time in two years and also sent a strong message that several additional increases to the overnight rate are anticipated for 2022. Inflation has a negative impact on operating costs for the Association and on our customers' operations as well. From a human capital perspective, COVID-19 negatively impacted the availability of applicants for certain positions at Farm Credit West. Also, employer-required COVID-19 safety protocols increased costs, and extended unemployment benefits and stimulus payments reduced the supply of labor for many of our customers.

Significant portions of Farm Credit West's territory are experiencing drought conditions in 2022. While the long-term impacts of the Sustainable Groundwater Management Act (SGMA) continue to be unknown, required reductions in groundwater usage from the combination of SGMA

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implementation and current drought conditions may impact land values, and in some cases may require fallowing acreage. This impact is likely to be greatest in the Kern/Kings/Tulare County areas of California.

Nonearning Assets

Nonearning assets (nonaccrual loan volume plus other property owned) totaled \$59.3 million at March 31, 2022, a decrease from \$71.4 million at December 31, 2021. Nonaccrual loan volume decreased \$16.9 million due to \$12.1 million in net repayments during the first three months of 2022 and a transfer to acquired property of \$4.8 million. Other property owned increased to \$4.8 million during the three months ended March 31, 2022 compared to a balance of less than \$0.1 million at December 31, 2021. This increase was due to the acquisition of a property via foreclosure during the first quarter.

Allowance for Loan and Lease Losses

Our allowance for loan losses totaled \$72.7 million (0.57% of loan principal and interest) at March 31, 2022, an increase of \$3.1 million since December 31, 2021. The allowance is our best estimate of the amount of probable losses existing in, and inherent in, our loan portfolio as of the balance sheet date. The general allowance took into account downgrades in risk rating and/or collateral revaluations as well as environmental factors present during the first quarter which resulted in higher risk profiles. We determine the allowance based on a regular evaluation of the loan portfolio, which generally considers recent historic charge-off experience adjusted for relevant factors. There were less than \$0.1 million in net recoveries during the first quarter of the year and the provision for loan loss totaled \$3.1 million.

Credit Risk Management

To help manage and diversify credit risk, our credit risk management framework includes selling loan participation interests, limiting our "hold" positions to amounts below the legal lending limits, and prudently establishing lending limits at the customer level based on asset quality. Additionally, we obtain credit guarantees with the Federal Agricultural Mortgage Corporation (Farmer Mac) and certain U.S. government agencies, primarily the Farm Services Agency (FSA), on a small portion of our loan portfolio. The Payment Protection Program loans we funded through the provisions of the CARES Act, are fully guaranteed by the Small Business Administration (SBA).

Funding and Liquidity

While inflation, employment levels and potential interest rate markets remain somewhat volatile, Farm Credit West is able to continue to offer our full line of product offerings to our customers. We closely monitor liquidity available to us from CoBank, our funding bank, and in addition we have

established direct access to our own liquidity to ensure that we have funding available to meet our customer needs.

Investment Securities

Farm Credit West holds investment securities primarily to maintain a liquidity reserve and to assist with interest rate risk management. In accordance with Board-approved policies, Farm Credit West purchases only high credit quality investment securities with the goal of ensuring that the investment portfolio is readily marketable and available to serve as a source of liquidity in the event of disruption to Farm Credit West's normal funding sources. See Note 3 for additional information.

Net Income

Net income for the three months ended March 31, 2022 was \$92.4 million with an annualized rate of return on average assets (ROAA) of 2.72%. This was an increase of \$9.4 million compared to the same period last year. Net income for the first three months of 2021 was \$83.0 million with an ROAA of 2.71%. Following are the key changes in net income for the same period year-over-year:

- ❖ Net interest income increased by \$8.7 million to \$90.1 million during the first three months of 2022 compared to the same period last year. The increase was mainly due to \$8.9 million in favorable loan volume and investment security variances offset by an unfavorable interest rate variance of \$0.5 million.
- ❖ Total noninterest income increased by \$7.7 million to \$35.1 million primarily due to:
 - \$3.1 million increase in 2022 CoBank Patronage due to increase in basis points paid on direct note volume.
 - \$2.3 million increase in patronage received from other Farm Credit Institutions.
 - \$1.2 million increase in 2021 special patronage received from CoBank.
 - \$0.8 million increase in gains related to proceeds received on charged-off loans.
 - \$0.5 million increase in loan origination fees.

The increases in noninterest income were partially offset by a \$0.3 million reduction in SBA loan fees.

- ❖ Provision for loan losses increased by \$3.9 million, due to a provision of \$3.1 million during the first three months of 2022 compared to a \$0.8 million negative provision for the same period in 2021.

Management's Discussion and Analysis

- ❖ Total noninterest expense increased by \$3.2 million to \$29.9 million during the first three months of 2022 compared to the same period in 2021. The change was due primarily to an increase in salaries and benefits of \$1.1 million, an increase in FCSIC insurance premiums of \$0.5 million, an increase in information technology of \$0.4 million, and an increase in public member relations of \$0.4 million.

Preferred Stock

Farm Credit West's preferred stock program was established as a means of adding value to the customer relationship and to provide the Association with capital to fund lending activity. Changes in regulatory capital requirements have diminished the capital value of this program. At March 31, 2022, the preferred stock balance was \$247.4 million, a decrease of \$6.4 million from December 31, 2021. On January 20, 2022, the Board of Directors of Farm Credit West voted to discontinue the preferred stock program. All shares of preferred stock outstanding will be called (retired) by the end of May 2022.

Future Payment Funds

At March 31, 2022, the customer-owned future payment funds increased by \$57.2 million to \$457.3 million compared to \$400.1 million at December 31, 2021. Future payment funds represent voluntary advance conditional payments and are an interest-bearing funding source for the Association.

Capital

In the past three months, total members' equity increased \$70.6 million to \$2.5 billion due to net income of \$92.4 million. This increase was partially offset by an increase in accumulated other comprehensive loss of \$15.0 million, a decrease in preferred stock of \$6.4 million, and preferred stock dividend distributions of \$0.3 million.

Forward-Looking Information

This discussion contains forward looking statements. These statements are not guarantees of future performance as future operations involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," or "will" are intended to identify forward-looking statements. These statements are based on management's assumptions and analyses made in light of experience and other historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. Readers are cautioned not to place undue reliance on these forward-looking statements. We will not update any forward-looking statements to reflect events or circumstances arising after they are made.

Certification

The undersigned certify that this report has been prepared under the oversight of the Farm Credit West Audit Committee, that it is presented in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief, and we have reviewed this report.



Douglas C. Filippini
Board Chair



Mark D. Littlefield
President and Chief Executive Officer



Qing Lu
Executive Vice President – Chief Financial Officer

May 4, 2022

Farm Credit West, ACA
Consolidated Balance Sheets

<i>(in thousands)</i>	March 31, 2022 (unaudited)	December 31, 2021
Assets		
Loans and leases	\$ 12,601,305	\$ 12,434,244
Less: allowance for loan and lease losses	(72,700)	(69,600)
Net loans and leases	<u>12,528,605</u>	<u>12,364,644</u>
Cash	58,053	62,140
Accrued interest receivable	80,436	74,684
Investment securities — available-for-sale	425,615	441,869
Investment in CoBank	360,369	374,512
Other property owned	4,784	1
Premises and equipment, net	47,489	48,084
Accrued patronage receivable from CoBank	14,786	63,870
Funded benefits expense	39,814	37,854
Other assets	38,877	38,144
Total assets	<u>\$ 13,598,828</u>	<u>\$ 13,505,802</u>
Liabilities		
Note payable to CoBank	\$ 10,573,072	\$ 10,415,681
Future payment funds	457,340	400,107
Accrued interest payable	16,707	11,011
Patronage distribution payable	—	172,000
Accrued benefits liability	28,590	40,704
Other liabilities	11,686	25,508
Total liabilities	<u>11,087,395</u>	<u>11,065,011</u>
Members' Equity		
Preferred stock	247,426	253,803
Capital stock and participation certificates	4,976	5,039
Less: capital stock and participation certificates receivable	(53)	(45)
Unallocated retained earnings	2,146,319	2,054,207
Additional Paid-in-Capital	133,312	133,312
Accumulated other comprehensive loss	(20,547)	(5,525)
Total members' equity	<u>2,511,433</u>	<u>2,440,791</u>
Total liabilities and members' equity	<u>\$ 13,598,828</u>	<u>\$ 13,505,802</u>

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

Farm Credit West, ACA
Consolidated Statements of Comprehensive Income

<i>(unaudited and in thousands)</i>	For the three months ended March 31,	
	2022	2021
Interest Income		
Loans and leases	\$ 109,881	\$ 99,330
Investment securities	877	104
Total interest income	110,758	99,434
Interest Expense		
Note payable to CoBank	20,196	17,591
Future payment funds	388	414
Total interest expense	20,584	18,005
Net interest income	90,174	81,429
(Provision for) reversal of loan losses	(3,058)	804
Net interest income after provision for loan losses	87,116	82,233
Noninterest Income		
Patronage income	29,559	22,927
Loan and other fees	3,488	3,123
Other noninterest income	2,114	1,394
Total noninterest income	35,161	27,444
Noninterest Expense		
Salaries and employee benefits	16,168	15,021
Information technology services	4,280	3,896
Occupancy and equipment	1,437	1,356
Farm Credit Insurance Fund premiums	3,890	3,437
FCA Supervisory and examination expense	668	655
Other operating expense	3,374	2,394
Merger related expense	25	—
Loss (gain) on other property owned, net	11	(134)
Total noninterest expense	29,853	26,625
Income before income taxes	92,424	83,052
Provision for income taxes	(5)	(7)
Net income	\$ 92,419	\$ 83,045
Other Comprehensive Income		
Change in unrealized gains (losses) on investment securities - available-for-sale	(15,272)	(230)
Change in unrealized actuarial gains (losses) in Pension Restoration Plan	250	270
Total comprehensive income	\$ 77,397	\$ 83,085

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

Farm Credit West, ACA

Consolidated Statements of Changes in Members' Equity

<i>(unaudited and in thousands)</i>	Preferred Stock	Capital Stock and Participation Certificates	Capital Stock and Participation Certificates Receivable	Unallocated Retained Earnings	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Total Members' Equity
Balance at December 31, 2020	\$ 353,360	\$ 4,980	\$ —	\$ 1,901,370	\$ 133,312	\$ (5,629)	\$ 2,387,393
Comprehensive income				83,045		40	83,085
Preferred stock issued	—						—
Preferred stock retired	(39,695)						(39,695)
Capital stock and participation certificates issued		104					104
Capital stock and participation certificates retired		(77)					(77)
Preferred stock dividends declared and paid	398		—	(398)			—
Balance at March 31, 2021	<u>\$ 314,063</u>	<u>\$ 5,007</u>	<u>\$ —</u>	<u>\$ 1,984,017</u>	<u>\$ 133,312</u>	<u>\$ (5,589)</u>	<u>\$ 2,430,810</u>
Balance at December 31, 2021	\$ 253,803	\$ 5,039	\$ (45)	\$ 2,054,207	\$ 133,312	\$ (5,525)	\$ 2,440,791
Comprehensive income				92,419		(15,022)	77,397
Preferred stock issued	—						—
Preferred stock retired	(6,684)						(6,684)
Capital stock and participation certificates issued		78					78
Capital stock and participation certificates retired		(141)					(141)
Issuance of stock in exchange for customer stock receivable			(9)				(9)
Release of customer stock receivable associated with retired stock			1				1
Preferred stock dividends declared and paid	307			(307)			—
Balance at March 31, 2022	<u>\$ 247,426</u>	<u>\$ 4,976</u>	<u>\$ (53)</u>	<u>\$ 2,146,319</u>	<u>\$ 133,312</u>	<u>\$ (20,547)</u>	<u>\$ 2,511,433</u>

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

Notes to Consolidated Financial Statements

Note 1 – Organization and Operations

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

The accompanying unaudited financial statements contain all adjustments necessary for a fair presentation of the Association's interim financial condition and results of operations. Farm Credit West's accounting and reporting policies conform to generally accepted accounting principles (GAAP) and prevailing practices within the banking industry.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers, this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain entities. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those entities qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on its financial condition and results of operations.

Note 2 – Loans and Allowance for Loan and Lease Losses

A summary of loan principal outstanding follows.

<i>(in thousands)</i>	March 31, 2022	December 31, 2021
Real estate mortgage loans	\$ 7,023,296	\$ 6,995,947
Production and intermediate-term loans	2,561,081	2,847,099
Agribusiness loans	2,219,451	1,822,271
Direct financing leases	212,802	218,083
Rural infrastructure loans	545,590	511,758
Rural residential loans	85	86
Other loans	39,000	39,000
Total loans	\$ 12,601,305	\$ 12,434,244

The Other loans category reflects \$39.0 million in purchased participation loan volume that was reclassified from Agribusiness loans to better align with the lead lender's loan type.

At March 31, 2022, Farm Credit West had \$4.1 billion in unused commitments to extend credit to customers, net of participations sold, and \$37.4 million in stand-by-letters of credit.

Farm Credit West's leasing operations consist principally of the lease financing of various types of agricultural equipment. Most Farm Credit West leases are classified as direct financing leases, the financial components of which are detailed in the following table. Farm Credit West's financing leases typically expire or mature within five years.

The following table summarizes the components of the net investment in direct financing leases included as Loans and leases in the Consolidated Balance Sheets.

<i>(in thousands)</i>	March 31, 2022	December 31, 2021
Minimum lease payments receivable	\$ 270,496	\$ 276,949
Unearned income	(26,611)	(27,301)
Estimated residual values	3,171	4,662
Participation interest sold	(34,254)	(36,227)
Direct financing leases	\$ 212,802	\$ 218,083

Notes to Consolidated Financial Statements

An analysis of changes in the allowance for loan losses is shown in the table below.

<i>For the three months ended March 31, (in thousands)</i>	2022	2021
Balance at beginning of year	\$ 69,600	\$ 77,600
(Reversal of) provision for loan losses	3,058	(804)
Charge-offs	(27)	—
Recoveries	69	4
Balance at March 31,	<u>\$ 72,700</u>	<u>\$ 76,800</u>

The following table summarizes the allowance for loan losses as collectively or individually evaluated for impairment.

<i>(in thousands)</i>	March 31, 2022	December 31, 2021
Individually evaluated for impairment	\$ 8,989	\$ 9,131
Collectively evaluated for impairment	63,711	60,469
Total allowance	<u>\$ 72,700</u>	<u>\$ 69,600</u>

Farm Credit West purchases and sells loan and lease participations 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 includes loan syndications where Farm Credit West is a lending member.

<i>March 31, 2022 (in thousands)</i>	Participations Purchased		
	Farm Credit Institutions	Non-Farm Credit Institutions	Total
Real estate mortgage loans	\$ 569,625	\$ —	\$ 569,625
Production and intermediate-term loans	676,767	43,898	720,665
Agribusiness loans	1,189,789	180,744	1,370,533
Rural infrastructure loans	545,590	—	545,590
Other loans	39,000	—	39,000
Total participations purchased	<u>\$ 3,020,771</u>	<u>\$ 224,642</u>	<u>\$ 3,245,413</u>

<i>March 31, 2022 (in thousands)</i>	Participations Sold		
	Farm Credit Institutions	Non-Farm Credit Institutions	Total
Real estate mortgage loans	\$ 2,186,437	\$ —	\$ 2,186,437
Production and intermediate-term loans	674,665	—	674,665
Agribusiness loans	445,039	—	445,039
Direct financing leases	34,254	—	34,254
Total participations sold	<u>\$ 3,340,395</u>	<u>\$ —</u>	<u>\$ 3,340,395</u>

Impaired loans are generally loans for which it is probable that not all principal and interest will be collected according to the contractual terms. They include nonaccrual loans,

accruing restructured loans and loans past due 90 days or more and still accruing interest.

The following table presents allowance information concerning impaired loans.

<i>(in thousands)</i>	March 31, 2022	December 31, 2021
Impaired loans with related allowance	\$ 24,824	\$ 27,068
Impaired loans with no related allowance	43,487	49,465
Total impaired loans	<u>\$ 68,311</u>	<u>\$ 76,533</u>
Allowance on impaired loans	<u>\$ 8,989</u>	<u>\$ 9,131</u>

The following table presents total average impaired loans and interest income recognized on impaired loans.

<i>For the three months ended March 31, (in thousands)</i>	2022	2021
Average impaired loans	<u>\$ 71,949</u>	<u>\$ 99,149</u>
Interest income recognized on impaired loans	<u>\$ 584</u>	<u>\$ 261</u>

Nonperforming assets (including related accrued interest) additional information follows:

<i>(in thousands)</i>	March 31, 2022	December 31, 2021
Nonaccrual loans	\$ 54,544	\$ 71,428
Accrual restructured	56	58
Accrual loans 90 days or more past due	13,711	5,047
Total impaired loans	<u>68,311</u>	<u>76,533</u>
Other property owned	4,784	1
Total impaired assets	<u>\$ 73,095</u>	<u>\$ 76,534</u>

A restructuring of a loan constitutes a troubled debt restructuring (TDR) if, for economic or legal reasons related to the debtor's financial difficulties, the Association grants a concession to the debtor that it would not otherwise consider. During the first three months of 2022, there were no TDR modifications.

There were no TDRs that occurred within the previous 12 months respectively, for which there was a subsequent payment default during the three months ended March 31, 2022 or at December 31, 2021.

TDRs outstanding totaled \$0.1 million at March 31, 2022, with one TDR each in accrual and nonaccrual status. At December 31, 2021, TDR's outstanding also totaled \$0.1 million, with one TDR each in accrual and nonaccrual status.

There were no additional commitments to lend to customers whose loans have been modified in a TDR at March 31, 2022 or at December 31, 2021.

Notes to Consolidated Financial Statements

The following tables provide an age analysis of past due loans, including interest.

<i>Principal and interest March 31, 2022 (in thousands)</i>	Not Past Due or Less Than 30 Days Past Due	Total Past Due	Total Loans
Real estate mortgage loans	\$ 7,050,834	\$ 28,966	\$ 7,079,800
Production and intermediate-term loans	2,563,214	11,713	2,574,927
Agribusiness loans	2,222,462	5,082	2,227,544
Direct financing leases	212,784	18	212,802
Rural infrastructure loans	546,624	—	546,624
Rural residential loans	85	—	85
Other loans	39,060	—	39,060
Total loans	\$ 12,635,063	\$ 45,779	\$ 12,680,842

<i>Principal and interest March 31, 2022 (in thousands)</i>	30-89 Days Past Due	90 Days or More Past Due	Total Past Due
Real estate mortgage loans	\$ 9,187	\$ 19,779	\$ 28,966
Production and intermediate-term loans	3,303	8,410	11,713
Agribusiness loans	3,284	1,798	5,082
Direct financing leases	18	—	18
Total loans	\$ 15,792	\$ 29,987	\$ 45,779

<i>Principal and interest December 31, 2021 (in thousands)</i>	Not Past Due or Less Than 30 Days Past Due	Total Past Due	Total Loans
Real estate mortgage loans	\$ 7,024,501	\$ 25,812	\$ 7,050,313
Production and intermediate-term loans	2,853,709	7,040	2,860,749
Agribusiness loans	1,824,095	3,725	1,827,820
Direct financing leases	216,725	1,358	218,083
Rural infrastructure loans	512,309	—	512,309
Rural residential loans	86	—	86
Other loans	39,048	—	39,048
Total loans	\$ 12,470,473	\$ 37,935	\$ 12,508,408

<i>Principal and interest December 31, 2021 (in thousands)</i>	30-89 Days Past Due	90 Days or More Past Due	Total Past Due
Real estate mortgage loans	\$ 362	\$ 25,450	\$ 25,812
Production and intermediate-term loans	88	6,952	7,040
Agribusiness loans	3,725	—	3,725
Direct financing leases	1,358	—	1,358
Total loans	\$ 5,533	\$ 32,402	\$ 37,935

Note 3 – Investment Securities

A summary of the amortized cost and fair value of investment securities available-for-sale is as follows:

<i>(dollars in thousands)</i>	US Treasury Securities — Available-for-Sale				
	Amortized Cost	Gross Unrealized		Fair Value	Weighted Average Yield
		Gains	Losses		
March 31, 2022	\$ 441,974	\$ —	\$(16,359)	\$ 425,615	0.89%
December 31, 2021	442,957	—	(1,088)	441,869	0.61%

The following table is a summary of the contractual maturity, fair value, amortized cost and weighted average yield of investments available-for-sale at March 31, 2022:

<i>(dollars in thousands)</i>	US Treasury Securities — Available-for-Sale		
	Due in one to five years	Due in five to ten years	Total
	Amount	Amount	Amount
Fair Value	\$ 196,673	\$ 228,942	\$ 425,615
Amortized Cost	199,973	242,001	441,974
Weighted average yield	0.32%	1.52%	0.89%

Note 4 – Members' Equity

Preferred Stock

Farm Credit West is authorized to issue 500 million shares of class H preferred stock but had an internal issuance limit set at 425 million shares at March 31, 2022. Purchases may be made by individuals or entities that hold, at the time of their purchase of preferred stock, legal title to, or beneficial interest in, shares of any class of Farm Credit West common stock or participation certificates. Preferred stock is unprotected and "at-risk." Retirement of preferred stock upon the holder's request is at the sole discretion of the Farm Credit West Board consistent with Farm Credit West Bylaws. Retirements of preferred stock may also require approval by FCA.

The preferred stock dividend rate is a per annum rate which is subject to change each calendar month. For any particular month, the dividend rate shall not exceed 8% nor be less than the federal funds rate. The per annum dividend rate at March 31, 2022 was 0.50%.

Common Stock

Farm Credit West issues the following classes of common stock: voting class C common stock, non-voting class F participation certificates, and under certain circumstances, non-voting class A common stock. Some 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

Notes to Consolidated Financial Statements

Farm Credit West. Borrowers are responsible for payment of the cash investment upon demand by Farm Credit West.

Effective January 1, 2020, due to a change in the regulatory interpretation, capital stock and participation certificates receivable are included within members' equity in the Consolidated Balance Sheets under a new contra account titled "Less: capital stock and participation certificates receivable". This change has no impact on the capital stock or participation certificates owned by Farm Credit West's borrowers, as borrowers retain all rights afforded to them by the Farm Credit Act.

Retirement of common stock is at the sole discretion of the Board, or by our President when consistent with authority delegated by our Board to the President. Retirements of common stock may also require approval by the FCA. At March 31, 2022, the required common investment was one thousand dollars per voting stockholder. Customers with multiple loans satisfy their equity ownership requirement with a single thousand dollar investment.

At March 31, 2022, Farm Credit West had 895,000 shares of class C capital stock outstanding at a par value of \$5 per share, and 100,201 shares of class F capital stock outstanding at a par value of \$5 per share.

Capital Adequacy

The FCA sets minimum regulatory capital requirements for Banks and Associations. As shown in the following table, Farm Credit West has substantially exceeded each regulatory minimum capital requirement for all periods presented.

Type of capital as % of risk-weighted assets	<i>For the quarter ended</i>			Regulatory Minimum with Buffer
	Mar. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	
Common Equity Tier 1 Capital (CET1) ratio	13.27%	13.83%	13.85%	7.00%
Tier 1 Capital ratio	13.27%	13.83%	13.85%	8.50%
Total Capital ratio	13.77%	14.35%	14.46%	10.50%
Tier 1 leverage ratio	14.05%	14.80%	14.74%	5.00%
Minimum URE leverage ratio	14.01%	16.49%	16.30%	1.50%
Permanent capital ratio	15.13%	15.86%	16.88%	7.00%

Accumulated Other Comprehensive Loss

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

<i>(in thousands)</i>	Unrealized Gain (Loss) on Investments Available for Sale	Unrealized Gain (Loss) on Pension and Other Benefit Plans	Accumulated Other Comprehensive Gain (Loss)
Balance at December 31, 2021	\$ (1,088)	\$ (4,437)	\$ (5,525)
Other comprehensive (loss) gain before reclassifications	(15,272)	250	(15,022)
Net current period comprehensive income	(15,272)	250	(15,022)
Balance at March 31, 2022	\$ (16,360)	\$ (4,187)	\$ (20,547)

<i>(in thousands)</i>	Unrealized Gain (Loss) on Investments Available for Sale	Unrealized Gain (Loss) on Pension and Other Benefit Plans	Accumulated Other Comprehensive Gain (Loss)
Balance at December 30, 2020	\$ 27	\$ (5,656)	\$ (5,629)
Other comprehensive income before reclassifications	(230)	270	40
Net current period comprehensive income	(230)	270	40
Balance at March 31, 2021	\$ (203)	\$ (5,386)	\$ (5,589)

Note 5 – Fair Value Measurements

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. For additional information, see Note 2 to the 2021 Annual Report to Shareholders – Summary of Significant Accounting Policies.

Notes to Consolidated Financial Statements

Assets measured at fair value on a recurring basis are summarized below. There were no other assets and no liabilities measured at fair value on a recurring basis for the periods presented.

<i>(in thousands)</i>	Fair Value Measurement Using			Total
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Assets held in trusts for nonqualified benefit plans				
March 31, 2022	\$ —	\$ —	\$ —	\$ —
December 31, 2021	\$ 148	\$ —	\$ —	\$ 148
Investment securities – available-for-sale				
March 31, 2022	\$ —	\$ 425,615	\$ —	\$ 425,615
December 31, 2021	\$ —	\$ 441,869	\$ —	\$ 441,869

Assets measured at fair value on a non-recurring basis are summarized in the following table. There were no other assets and no liabilities measured at fair value on a non-recurring basis for the periods presented.

<i>(in thousands)</i>	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)		Total Fair Value
	Assets:		
Nonaccrual loans, net of related specific allowance			
March 31, 2022	\$ 15,835		\$ 15,835
December 31, 2021	17,937		17,937
Other property owned, appraised value			
March 31, 2022	\$ 5,441		\$ 5,441
December 31, 2021	1		1

Valuation Techniques

As more fully discussed in Note 2 to the 2021 Annual Report to Shareholders, the FASB guidance established 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 technique used by Farm Credit West for assets and liabilities measured at fair value.

Assets held in Trust: Assets held in trust for nonqualified benefit plans are related to supplemental retirement plans and are classified within Level 1. These trust assets held by Farm Credit West include cash, money market funds and mutual funds that have quoted net asset values that are observable in the marketplace.

Investment Securities: Farm Credit West's security portfolio is made up of U.S. Treasuries and classified as Level 2. 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 are estimated using pricing models, 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 and asset-backed securities. Where there is limited activity or less transparency around inputs to the valuation, the securities are classified as Level 3.

Nonaccrual Loans: For nonaccrual loans evaluated for impairment under FASB impairment guidance, the fair value is based on the underlying collateral since the loans are collateral-dependent. At March 31, 2022, substantially all of the Association's impaired loans that are recorded at fair value are secured by personal and/or real property. The fair value measurement process uses appraisals performed by independent licensed appraisers 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, certain of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate or other collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established and loans are reported at fair value.

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 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 – Income Taxes

Farm Credit West, ACA conducts its business activities through its subsidiaries. Long-term mortgage lending activities are conducted through the Farm Credit West, FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through the Farm Credit West, PCA subsidiary which is subject to tax. As with the PCA subsidiary, the Farm Credit West, ACA holding company is subject to income tax. Farm Credit West operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, Farm Credit West can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock, or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends.

Notes to Consolidated Financial Statements

Note 7 – Employee Benefit Plans

Certain Farm Credit West employees participate in a multi-employer defined benefit retirement plan (Defined Benefit Plan). The Association previously disclosed in its financial statements for the year ended December 31, 2021, that it expects to contribute \$6.4 million to its pension plan in 2022. As of March 31, 2022, \$1.6 million in contributions have been made. Farm Credit West’s allocated share of expense on the defined benefit retirement plan, included in salaries and employee benefits, was a contra-expense of \$0.1 million for the three months ended March 31, 2022.

Farm Credit West also participates in a non-qualified defined benefit plan (Pension Restoration Plan) that is unfunded. The purpose of this plan is to supplement a participant’s benefits under the Defined Benefit Plan to the extent that such benefits are reduced by the limitations imposed by the Internal Revenue Code.

The components of net periodic pension expense for the Pension Restoration Plan included in Farm Credit West’s Consolidated Statement of Comprehensive Income follow.

<i>For the three months ended March 31,</i>		
<i>(in thousands)</i>		
	2022	2021
Service cost	\$ 123	\$ 102
Interest cost	37	23
Net amortization and deferral	250	270
Net periodic benefit cost	<u>\$ 410</u>	<u>\$ 395</u>

The components of net period benefit cost are included in the line item “salaries and employee benefits” in the income statement. Farm Credit West has continued to account for the service cost component in this line item due to immateriality.

Note 8 – Subsequent Events

The Association has evaluated subsequent events through May 4, 2022, which is the date the financial statements were issued. No Subsequent event items met the criteria for disclosure.