Third Quarter 2020
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 third quarter 2020 consolidated financial statements and related notes included in this report, as well as the 2019 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.

Loan and Lease Volume

Loan and lease volume (net of sold loan and lease participations) was $11.1 billion at September 30, 2020, an increase of $425.8 million since December 31, 2019. The net increase was primarily due to increases of $366.3 million in real estate mortgage volume, $146.6 million in agribusiness volume and $131.9 million in rural infrastructure loan volume. Partially offsetting these increases was a decrease of $207.1 million in production and intermediate term volume and a decrease of $11.9 million in direct financing lease volume.

In addition to the $11.1 billion of loan and lease volume reported on our balance sheet at September 30, 2020, we serviced loans and leases totaling $2.7 billion for other institutions.

Loan Portfolio Quality

As shown in the following table, our loan quality statistics declined by 0.3% during the first nine months of 2020 due to an increase in substandard loan volume.

	September 30, 2020	December 31, 2019	December 31, 2018
Nonadversely classified	**95.1%**	95.4%	95.6%
Adversely classified	**4.9%**	4.6%	4.4%

Economic Overview and Commodities

Under normal conditions, agriculture in the area served by Farm Credit West is highly diversified and generally less susceptible to financial volatility than other areas of the U.S. because of the diversity in commodities produced.

Due to the coronavirus pandemic (COVID-19), Farm Credit West has transitioned most staff to remote working arrangements. As of October 2020, all Farm Credit West California and Arizona offices are open and continue to provide essential services to customers with a limited number of staff and reduced business hours to ensure borrower and staff safety.

In response to COVID-19, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") in March 2020. The CARES Act is a $2 trillion economic stimulus package aimed at providing economic assistance to individuals, businesses and state and local governments in response to the economic impacts caused by the COVID-19 pandemic. A provision of the CARES Act created the Paycheck Protection Program (PPP) which provides forgivable loans to small businesses including agricultural producers. This program is administered through, and the loans are guaranteed by, the Small Business Administration (SBA). Farm Credit West processed and provided funding for approximately $80 million in PPP loans to borrowers and directed some borrowers to a Fintech firm who processed an additional $24 million in PPP loans for these customers.

In addition to the assistance afforded to customers by the PPP, Farm Credit West implemented a COVID-19 credit relief program that included forbearances of up to 90 days and reamortization alternatives for customers whose operations were materially impacted by COVID-19. Additionally, because of the challenging times agriculture is experiencing, the Farm Credit West Board of Directors declared a mid-year cash patronage distribution to borrowers of $55 million. This mid-year patronage distribution served as an advance payment on the final 2020 patronage amount to be determined at year-end based on actual 2020 Association earnings. Along with these programs aimed at assisting borrowers, Farm Credit West provided financial support to various food banks in the counties we serve in an effort to provide some relief to communities impacted by COVID-19.

COVID-19 has caused worldwide disruptions in financial markets, numerous business sectors and human capital. The long-term impacts of COVID-19 on agriculture and Farm Credit West borrowers are still mostly unknown. However, there has been a reduction in the exportation of some agricultural products we finance. The tree nut, table grape and dairy industries are very dependent on export markets. Tree nuts, which include almonds, pistachios, walnuts and pecans, represent a significant exposure in the Association's loan portfolio. Due to the closing of export markets, some types of tree nuts have experienced some decline. The Arizona and California dairy industries continue to face economic challenges. Dairy is the largest concentration in our loan portfolio. COVID-19 caused a significant decline in the prices for dairy and other protein markets in April and May, but prices since that time have rebounded to profitable levels for many dairy operations. Uncertainties brought

Management's Discussion and Analysis

about by the COVID-19 pandemic could continue to cause some stress to those industries dependent on export markets.

During the last quarter of the year, we may have a better indication as to the continued impact on agricultural commodities and the potential financial impact to our borrowers. We anticipate that asset quality could continue to be volatile.

Nonearning Assets

Nonearning assets (nonaccrual loan volume plus other property owned) totaled $108.1 million at September 30, 2020, a decrease from $126.4 million at December 31, 2019. Nonaccrual loan volume decreased $18.1 million to $104.3 million due primarily to year-to-date net repayments of $31.3 million, $2.8 million in loan charge-offs and transfers to accrual of $1.0 million. These decreases in nonaccrual loan volume were partially offset by transfers to nonaccrual of $17.0 million during the first nine months of 2020. Other property owned balances decreased $0.2 million due to the sale of a property in the third quarter.

Allowance for Loan Losses

Our allowance for loan losses totaled $77.6 million (0.69% of loan principal and interest) at September 30, 2020, an increase of $3.8 million since December 31, 2019. The general allowance analysis took into account the likelihood of possible losses due to COVID-19's impact on the economy, agriculture and borrowers. 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. 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 was $1.7 million in net charge-offs during the first three quarters of the year and the provision for loan loss totaled $5.5 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 borrower 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 PPP loans we funded through the provisions of the CARES Act, are fully guaranteed by the SBA.

Funding and Liquidity

Although financial markets and interest rates reacted dramatically to the COVID-19 pandemic, Farm Credit West was able to continue to offer our full line of product offerings to our borrowers. 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 nine months ended September 30, 2020 was $223.2 million with an annualized rate of return on average assets (ROA) of 2.64%. Net income for the first nine months of 2019 was $196.1 million with an ROA of 2.48%. Following are the key changes in net income for the same period year-over-year:

- Net interest income increased by $13.5 million to $237.1 million during the first nine months of 2020 compared to the same period last year. The increase was mainly due to $15.4 million in favorable volume variances and by a $0.5 million increase in nonaccrual interest income recognized. Partially offsetting these increases was an unfavorable interest rate variance of $2.4 million.
- Total noninterest income increased by $9.8 million to $63.9 million primarily due to a $5.4 million increase in loan fees, a $2.4 million increase in patronage from other Farm Credit Institutions and a $2.3 million increase in other income due to fees received from the SBA for participation in the PPP. These increases were partially offset by a $1.3 million loss recognized on the buyback/early extinguishment of debt.
- Provision for loan losses decreased by $7.6 million to $5.5 million during the first nine months of 2020 compared to the same period in 2019.

Offsetting the above positive net income variances:

- Total noninterest expense increased by $3.8 million to $72.3 million during the first nine months of 2020 compared to the same period in 2019. The change was due primarily to increases in information technology of $2.4 million, salaries and benefits of $2.0 million and a decrease in gains on other property owned of $1.2 million. Partially offsetting these increases were decreases in Public Member Relations of $0.5 million and Travel of $0.5 million.

Management's Discussion and Analysis

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 September 30, 2020, the preferred stock balance was $378.1 million, an increase of $12.7 million from December 31, 2019.

Future Payment Funds

At September 30, 2020, the customer-owned future payment funds increased by $132.1 million to $481 million compared to $348.9 million at December 31, 2019. Future payment funds represent voluntary advance conditional payments and are an interest-bearing funding source for the Association.

Capital

In the past nine months, total members' equity increased $177.9 million to $2.5 billion primarily due to net income of $223.2 million and an increase in preferred stock of $12.7 million, partially offset by a mid-year patronage declaration of $55.0 million and $3.4 million in preferred stock dividends. The $55.0 million mid-year patronage represents an advance payment on 2020 patronage to be declared at year-end.

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.

Sureena B. Thiara
Board Chair

Mark D. Littlefield
President and Chief Executive Officer

Jean L. Koenck
Executive Vice President – Chief Financial Officer

November 5, 2020

Farm Credit West, ACA

Consolidated Balance Sheets

(in thousands)	**September 30, 2020 (unaudited)**	December 31, 2019
Assets		
Loans and leases	**$ 11,145,738**	$ 10,719,896
Less: allowance for loan and lease losses	**(77,600)**	(73,800)
Net loans and leases	**11,068,138**	10,646,096
Cash	**54,037**	17,461
Accrued interest receivable	**124,606**	91,448
Investment securities — available-for-sale	**99,966**	—
Investment in CoBank	**341,779**	339,083
Other property owned	**3,768**	3,978
Premises and equipment, net	**49,293**	43,283
Accrued patronage receivable from CoBank	**30,576**	43,565
Funded benefits expense	**28,916**	24,696
Other assets	**32,153**	30,016
Total assets	**$ 11,833,232**	$ 11,239,626
Liabilities		
Note payable to CoBank	**$ 8,824,956**	$ 8,418,734
Future payment funds	**480,963**	348,863
Accrued interest payable	**14,453**	13,146
Patronage distribution payable	**—**	122,000
Accrued benefits liability	**32,590**	35,247
Other liabilities	**9,667**	8,974
Total liabilities	**9,362,629**	8,946,964
Members' Equity		
Preferred stock	**378,060**	365,403
Capital stock and participation certificates	**4,936**	4,932
Unallocated retained earnings	**1,958,774**	1,794,045
Additional Paid-in-Capital	**133,312**	133,312
Accumulated other comprehensive loss	**(4,479)**	(5,030)
Total members' equity	**2,470,603**	2,292,662
Total liabilities and members' equity	**$ 11,833,232**	$ 11,239,626

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

Farm Credit West, ACA

Consolidated Statements of Comprehensive Income

(unaudited and in thousands)	For the three months ended September 30, **2020**	2019	For the nine months ended September 30, **2020**	2019
Interest Income				
Loans and leases	**$ 99,651**	$ 130,907	**$ 324,344**	$ 390,215
Investment securities	**6**	—	**6**	—
Total interest income	**99,657**	130,907	**324,350**	390,215
Interest Expense				
Note payable to CoBank	**19,605**	53,132	**85,079**	160,948
Future payment funds	**572**	1,787	**2,155**	5,641
Total interest expense	**20,177**	54,919	**87,234**	166,589
Net interest income	**79,480**	75,988	**237,116**	223,626
Provision for loan losses	**4**	(5,361)	**(5,494)**	(13,049)
Net interest income after provision for loan losses	**79,484**	70,627	**231,622**	210,577
Noninterest Income				
Patronage income	**10,340**	10,622	**42,037**	40,438
Farm Credit Insurance Fund distribution	**—**	—	**2,227**	2,333
Loan and other fees	**4,555**	2,477	**14,109**	8,681
Losses on early extinguishments of debt	**(767)**	—	**(1,328)**	—
Other noninterest income	**1,527**	1,098	**6,845**	2,624
Total noninterest income	**15,655**	14,197	**63,890**	54,076
Noninterest Expense				
Salaries and employee benefits	**14,087**	13,329	**42,882**	40,862
Information technology services	**3,749**	3,363	**12,097**	9,670
Occupancy and equipment	**1,139**	1,137	**3,425**	3,610
Farm Credit Insurance Fund premiums	**2,239**	1,699	**5,423**	5,033
FCA Supervisory and examination expense	**526**	613	**1,787**	1,840
Other operating expense	**1,682**	2,967	**6,757**	8,790
(Gain) loss on other property owned, net	**(145)**	(1,232)	**(51)**	(1,291)
Total noninterest expense	**23,277**	21,876	**72,320**	68,514
Income before income taxes	**71,862**	62,948	**223,192**	196,139
Provision for income taxes	**(8)**	(34)	**(26)**	(82)
Net income	**$ 71,854**	$ 62,914	**$ 223,166**	$ 196,057
Other Comprehensive Income				
Change in unrealized gain on investment securities - available-for-sale	**1**	—	**1**	—
Change in unrealized actuarial losses in Pension Restoration Plan	**176**	149	**530**	449
Change in unrealized actuarial losses in FPI Pension Plan	**—**	—	**20**	—
Total comprehensive income	**$ 72,031**	$ 63,063	**$ 223,717**	$ 196,506

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

Consolidated Statements of Changes in Members' Equity

(unaudited and in thousands)	Preferred Stock	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Total Members' Equity
Balance at December 31, 2018	$ 378,105	$ 5,025	$ 1,669,518	$ 133,312	$ (5,010)	$ 2,180,950
Comprehensive income			196,057		449	196,506
Preferred stock issued	90,576					90,576
Preferred stock retired	(84,404)					(84,404)
Capital stock and participation certificates issued		378				378
Capital stock and participation certificates retired		(457)				(457)
Preferred stock dividends declared and paid	6,841		(6,841)			—
Balance at September 30, 2019	$ 391,118	$ 4,946	$ 1,858,734	$ 133,312	$ (4,561)	$ 2,383,549
Balance at December 31, 2019	**$ 365,403**	**$ 4,932**	**$ 1,794,045**	**$ 133,312**	**$ (5,030)**	**$ 2,292,662**
Comprehensive income			**223,166**		**551**	**223,717**
Preferred stock issued	**92,164**					**92,164**
Preferred stock retired	**(82,944)**					**(82,944)**
Capital stock and participation certificates issued		**255**				**255**
Capital stock and participation certificates retired		**(251)**				**(251)**
Preferred stock dividends declared and paid	**3,437**		**(3,437)**			**—**
Cash patronage distribution declared and paid			**(55,000)**			**(55,000)**
Balance at September 30, 2020	**$ 378,060**	**$ 4,936**	**$ 1,958,774**	**$ 133,312**	**$ (4,479)**	**$ 2,470,603**

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, 2019, are contained in the 2019 Farm Credit West Annual Report to Shareholders. These unaudited third quarter 2020 financial statements should be read in conjunction with the 2019 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 accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. Certain amounts in prior years' consolidated financial statements have been reclassified to conform to current year's financial statement presentation.

Recently Issued Accounting Pronouncements

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which provides relief from certain requirements under GAAP, was signed into law. Section 4013 of the CARES Act gives entities temporary relief from the accounting and disclosure requirements for troubled debt restructurings (TDRs) and if certain criteria are met these loan modifications may not need to be classified as TDRs. Section 4013 also allows entities relief from certain past due designations. Under the CARES Act, the revised term on a contractually modified loan represents the term used to determine past due status. The Association has adopted this relief for qualifying loan modifications.

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. With respect to hedge accounting, the guidance allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. The optional amendments are effective as of March 12, 2020 through December 31, 2022. The Association is evaluating the impact of adoption on the institution's financial condition and its results of operations.

In December 2019, the FASB issued guidance entitled "Simplifying the Accounting for Income Taxes." This guidance eliminates certain intra period tax allocations, foreign deferred tax recognition and interim period tax calculations. In addition, the guidance simplifies disclosure regarding capital and franchise taxes, the allocation of goodwill in business combinations, subsidiary financial statements and other disclosures. The new guidance is intended to eliminate and/or simplify certain aspects of income tax accounting that are complex or that require significant judgment in application or presentation. The guidance becomes effective for fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted and the Association adopted this guidance on January 1, 2020. The adoption of this guidance did not materially impact the Association's financial condition or results of operations; nor will the guidance impact the presentation of the taxes for the periods in the 2020 interim or year-end financial statements.

In August 2018, the FASB issued guidance entitled "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Cost." The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this guidance. This guidance became effective for interim and annual periods beginning after December 15, 2019. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The Association adopted this guidance on a prospective basis. The adoption of the guidance did not materially impact the Association's condition or its results of operations.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans." The guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance becomes effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The guidance is to be applied on a retrospective basis for all periods. The adoption of this guidance will not impact the Association's financial condition or its results of operations, but will impact the employee benefit plan disclosures.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure

Notes to Consolidated Financial Statements

Requirements for Fair Value Measurement." The guidance modifies the requirements on fair value measurements by removing, modifying or adding to the disclosures. This guidance became effective for interim and annual periods beginning after December 15, 2019. Early adoption was permitted and an entity was permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The Association early adopted and modified disclosures during the fourth quarter of 2018. The adoption of this guidance did not impact the Association's financial condition or its results of operations, but did impact the fair value measurements disclosures.

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 institutions. 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 institutions qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022. 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 Losses

A summary of loan principal outstanding follows.

(in thousands)	**September 30, 2020**	December 31, 2019
Real estate mortgage loans	**$ 6,623,108**	$ 6,256,756
Production and intermediate-term loans	**1,870,327**	2,077,426
Agribusiness loans	**2,051,194**	1,904,599
Direct financing leases	**190,373**	202,257
Rural infrastructure loans	**410,646**	278,765
Rural residential loans	**90**	93
Total loans	**$ 11,145,738**	$ 10,719,896

At September 30, 2020, Farm Credit West had $3.8 billion in unused commitments to extend credit to borrowers, net of participations sold, and $37.2 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 in the Consolidated Balance Sheets.

(in thousands)	**September 30, 2020**	December 31, 2019
Minimum lease payments receivable	**$ 296,256**	$ 348,518
Unearned income	**(30,951)**	(38,591)
Estimated residual values	**11,362**	15,979
Participation interest sold	**(86,294)**	(123,649)
Direct financing leases	**$ 190,373**	$ 202,257

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

For the nine months ended September 30, (in thousands)	**2020**	2019
Balance at beginning of year	**$ 73,800**	$ 61,800
Provision for loan losses	**5,494**	13,049
Charge-offs	**(2,832)**	(2,049)
Recoveries	**1,138**	100
Balance at September 30,	**$ 77,600**	$ 72,900

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

(in thousands)	**September 30, 2020**	December 31, 2019
Individually evaluated for impairment	**$ 9,090**	$ 12,187
Collectively evaluated for impairment	**68,510**	61,613
Total allowance	**$ 77,600**	$ 73,800

Notes to Consolidated Financial Statements

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.

	Participations Purchased		
September 30, 2020 (in thousands)	Farm Credit Institutions	Non-Farm Credit Institutions	Total
Real estate mortgage loans	**$ 708,498**	**$ —**	**$ 708,498**
Agribusiness loans	**1,156,269**	**190,239**	**1,346,508**
Rural infrastructure loans	**410,645**	**—**	**410,645**
Total participations purchased	**$ 2,275,412**	**$ 190,239**	**$ 2,465,651**

	Participations Sold		
September 30, 2020 (in thousands)	Farm Credit Institutions	Non-Farm Credit Institutions	Total
Real estate mortgage loans	**$ 1,759,844**	**$ 2,098**	**$ 1,761,942**
Production and intermediate-term loans	**$ 605,797**	**—**	**605,797**
Agribusiness loans	**258,565**	**—**	**258,565**
Direct financing leases	**86,294**	**—**	**86,294**
Total participations sold	**$ 2,710,500**	**$ 2,098**	**$ 2,712,598**

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.

(in thousands)	**September 30, 2020**	December 31, 2019
Impaired loans with related allowance	**$ 36,272**	$ 46,350
Impaired loans with no related allowance	**81,576**	80,912
Total impaired loans	**$ 117,848**	$ 127,262
Allowance on impaired loans	**$ 9,090**	$ 12,187

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

For the nine months ended September 30, (in thousands)	**2020**	2019
Average impaired loans	**$ 120,468**	$ 110,964
Interest income recognized on impaired loans	**$ 4,407**	$ 3,877

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

(in thousands)	**September 30, 2020**	December 31, 2019
Nonaccrual loans	**$ 104,331**	$ 122,422
Accrual loans 90 days or more past due	**13,517**	4,840
Total impaired loans	**117,848**	127,262
Other property owned	**3,768**	3,978
Total impaired assets	**$ 121,616**	$ 131,240

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 nine months of 2020, one loan restructuring was deemed a TDR. The pre and post modification outstanding recorded investment on this production and intermediate term TDR was less than $0.1 million.

There were no TDRs that occurred within the previous 12 months respectively, for which there was a subsequent payment default during the nine months ended September 30, 2020 or at December 31, 2019.

TDRs outstanding totaled $0.1 million at September 30, 2020, all of which were in nonaccrual status. At December 31, 2019, TDR's outstanding also totaled $0.1 million and all were in nonaccrual status.

There were no additional commitments to lend to borrowers whose loans have been modified in a TDR at September 30, 2020 or at December 31, 2019.

Notes to Consolidated Financial Statements

The following tables provide an age analysis of past due loans, including interest, adjusted for provisions under Section 4013 of the CARES Act. Approximately $0.9 million in past due volume was eliminated from the amounts reported as past due at September 30, 2020 below.

Principal and interest September 30, 2020 (in thousands)	Not Past Due or Less Than 30 Days Past Due	Total Past Due	Total Loans
Real estate mortgage loans	**$ 6,686,800**	**$ 34,513**	**$ 6,721,313**
Production and intermediate-term loans	**1,868,553**	**16,762**	**1,885,315**
Agribusiness loans	**2,039,517**	**22,676**	**2,062,193**
Direct financing leases	**189,922**	**451**	**190,373**
Rural infrastructure loans	**411,060**	**—**	**411,060**
Rural residential real loans	**90**	**—**	**90**
Total loans	**$ 11,195,942**	**$ 74,402**	**$ 11,270,344**

Principal and interest September 30, 2020 (in thousands)	30-89 Days Past Due	90 Days or More Past Due	Total Past Due
Real estate mortgage loans	**$ 1,139**	**$ 33,374**	**$ 34,513**
Production and intermediate-term loans	**6,142**	**10,620**	**16,762**
Agribusiness loans	**—**	**22,676**	**22,676**
Direct financing leases	**195**	**256**	**451**
Total loans	**$ 7,476**	**$ 66,926**	**$ 74,402**

Principal and interest December 31, 2019 (in thousands)	Not Past Due or Less Than 30 Days Past Due	Total Past Due	Total Loans
Real estate mortgage loans	$ 6,295,941	$ 28,314	$ 6,324,255
Production and intermediate-term loans	2,080,557	11,020	$ 2,091,577
Agribusiness loans	1,907,090	6,820	$ 1,913,910
Direct financing leases	201,522	736	$ 202,258
Rural infrastructure loans	279,251	—	$ 279,251
Rural residential loans	93	—	$ 93
Total loans	$ 10,764,454	$ 46,890	$ 10,811,344

Principal and interest December 31, 2019 (in thousands)	30-89 Days Past Due	90 Days or More Past Due	Total Past Due
Real estate mortgage loans	$ 4,534	$ 23,780	$ 28,314
Production and intermediate-term loans	9,426	1,594	11,020
Agribusiness loans	2,382	4,438	6,820
Direct financing leases	468	268	736
Total loans	$ 16,810	$ 30,080	$ 46,890

Note 3 – Investment Securities

Farm Credit West began purchasing investment securities in August of 2020. In accordance with FCA regulations, Farm Credit West, with the approval of CoBank, may purchase and hold investments. Only debt securities issued by, or unconditionally guaranteed or insured as to the timely payment of principal and interest by the United States Government or its agencies are investments Farm Credit West may acquire. The total amount of investments allowed must not exceed 10 percent of the Farm Credit West's total outstanding loans. Accordingly, Farm Credit West has purchased only U.S. Treasury Securities.

These U.S. Treasury securities are to be used for liquidity purposes and have been classified as available-for-sale. These investments are reported at fair value and unrealized holding gains and losses on investments are reported as a separate component of members' equity (accumulated other comprehensive income (loss)). Changes in the fair value of these investments are reflected as direct charges or credits to other comprehensive income, unless the investment is deemed to be other-than-temporarily impaired. As of September 30, 2020, Farm Credit West had no investments that were deemed to be other-than-temporarily impaired.

Gains and losses on the sale of investments available-for-sale are determined using the specific identification method. Premiums and discounts are amortized or accreted into interest income over the term of the respective investments. Farm Credit West does not hold investments for trading purposes.

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

	US Treasury Securities — Available-for-Sale				
		Gross Unrealized			Weighted
(dollars in thousands)	Amortized Cost	Gains	Losses	Fair Value	Average Yield
September 30, 2020	**$ 99,965**	**$ 1**	**$ —**	**$ 99,966**	**0.11%**
December 31, 2019	—	—	—	—	—

The following table is a summary of the contractual maturity, fair value, amortized cost and weighted average yield of investments available-for-sale at September 30, 2020:

	US Treasury Securities — Available-for-Sale		
(dollars	Due in one year or less	Due in one to five years	Total
in thousands)	Amount	Amount	Amount
Fair Value	**$ 99,966**	**$ —**	**$ 99,966**
Amortized Cost	**99,965**	**—**	**99,965**
Weighted average yield	**0.11%**	**—**	**0.11%**

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 September 30, 2020. 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

Notes to Consolidated Financial Statements

stock or participation certificates. Effective November 1, 2020, Farm Credit West has elected to suspend new issuances into the preferred stock program. 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 September 30, 2020 was 1.00%.

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. Such equities are at-risk and are purchased in cash not advanced by Farm Credit West. Retirement 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 September 30, 2020, 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 cash investment.

At September 30, 2020, Farm Credit West had 883,920 shares of class C capital stock at a par value of $5 per share, and 103,273 shares of class F capital stock were outstanding at a par value of $5 per share.

Capital Adequacy

The FCA sets minimum regulatory capital requirements for Banks and Associations. Beginning in 2017, new regulatory capital requirements were adopted. These new requirements replaced the core surplus and total surplus requirements with Common Equity Tier 1, Tier 1 Capital, and Total Capital risk-based capital ratio requirements. In addition, a Tier 1 Leverage ratio and an Unallocated Retained Earnings (URE) and URE Equivalents (UREE) Leverage ratio (Minimum URE Leverage ratio) were implemented. The Permanent Capital Ratio continues to remain in effect; however, the denominator was revised to align with the new capital ratios.

As shown in the following table, Farm Credit West has substantially exceeded each regulatory minimum capital requirement for all periods presented.

	For the quarter ended			
Type of capital as % of risk-weighted assets	**Sep. 30, 2020**	Dec. 31, 2019	Dec. 31, 2018	Regulatory Minimum with Buffer
Common Equity Tier 1 Capital (CET1) ratio	**13.75%**	14.37%	14.00%	7.00%
Tier 1 Capital ratio	**13.75%**	14.37%	14.00%	8.50%
Total Capital ratio	**14.38%**	15.00%	14.66%	10.50%
Tier 1 leverage ratio	**15.08%**	15.70%	15.29%	5.00%
Minimum URE leverage ratio	**16.73%**	17.31%	16.95%	1.50%
Permanent capital ratio	**16.91%**	17.75%	17.64%	7.00%

Accumulated Other Comprehensive Loss

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

(in thousands)	Unrealized Gains on Investments Available for Sale	Unrealized (Loss) on Pension and Other Benefit Plans	Accumulated Other Comprehensive (Loss)
Balance at December 31, 2019	**$ —**	**$ (5,030)**	**$ (5,030)**
Other comprehensive income gain before reclassifications	**1**	**550**	**551**
Net current period comprehensive income	**1**	**550**	**551**
Balance at September 30, 2020	**$ 1**	**$ (4,480)**	**$ (4,479)**

(in thousands)	Unrealized Gains on Investments Available for Sale	Unrealized (Loss) on Pension and Other Benefit Plans	Accumulated Other Comprehensive (Loss)
Balance at December 31, 2018	$ —	$ (5,010)	$ (5,010)
Other comprehensive income gain before reclassifications	—	449	449
Net current period comprehensive income	—	449	449
Balance at September 30, 2019	$ —	$ (4,561)	$ (4,561)

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 2019 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.

	Fair Value Measurement Using			Total
(in thousands)	Level 1	Level 2	Level 3	Fair Value
Assets:				
Assets held in trusts for nonqualified benefit plans				
September 30, 2020	**$ 506**	**$ —**	**$ —**	**$ 506**
December 31, 2019	$ 871	$ —	$ —	$ 871
Investment securities – available-for-sale				
September 30, 2020	**$ —**	**$ 99,966**	**$ —**	**$ 99,966**
December 31, 2019	$ —	$ —	$ —	$ —

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.

(in thousands)	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:		
Nonaccrual loans, net of related specific allowance		
September 30, 2020	**$ 27,182**	**$ 27,182**
December 31, 2019	34,163	34,163
Other property owned, appraised value		
September 30, 2020	**$ 5,651**	**$ 5,651**
December 31, 2019	6,166	6,166

Valuation Techniques

As more fully discussed in Note 2 to the 2019 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: 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. Farm Credit West's security portfolio is made up of U.S. Treasuries and thus classified as Level 2.

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 September 30, 2020, 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, 2019, that it expects to contribute $5.9 million to its pension plan in 2020. As of September 30, 2020, $4.7 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 $0.3 million for the nine months ended September 30, 2020.

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.

For the nine months ended September 30, (in thousands)	**2020**	2019
Service cost	**$ 277**	$ 258
Interest cost	**158**	257
Net amortization and deferral	**530**	449
Net periodic benefit cost	**$ 965**	$ 964

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 November 5, 2020, which is the date the financial statements were issued. No subsequent event items met the criteria for disclosure.