Third Quarter 2022
Report to Shareholders

Farm Credit West

3755 Atherton Road
Rocklin, CA 95765
Phone: 916-780-1166 Fax: 916-780-1820
Website: www.farmcreditwest.com

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 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.

Notice of Significant or Material Events

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. The merger has received approval from CoBank and preliminary approvals from the Farm Credit Administration. Customer-owners will vote on the merger in mid-November 2022. If stockholders approve the merger and the Farm Credit Administration grants final approval, the merger would be effective no earlier than January 1, 2023.

Effective August 2022, Esmeralda Guizar, Senior Vice President-Controller, was named interim CFO upon the transition of Qing Lu, Executive Vice President-Chief Financial Officer, to the role of Senior Advisor.

Loan and Lease Volume

Loan and lease volume (net of sold loan and lease participations) was $12.9 billion at September 30, 2022, an increase of $477.4 million since December 31, 2021. The net increase was primarily due to increases of $385.2 million in agribusiness volume, a $259.1 million increase in real estate mortgage volume, and a $115.5 million increase in rural infrastructure volume. Partially offsetting these increases was a decrease of $266.1 million in production and intermediate term volume and a $16.3 million decrease in direct financing lease volume.

In addition to the $12.9 billion of loan and lease volume reported on our balance sheet at September 30, 2022, we serviced loans and leases totaling $4.0 billion held by other institutions.

Loan Portfolio Quality

As shown in the following table, our loan quality statistics declined by 0.2% during the first nine months of 2022 due primarily to an increase in Substandard loan volume.

	September 30, 2022	December 31, 2021	December 31, 2020
Nonadversely classified	**96.8%**	97.0%	95.6%
Adversely classified	**3.2%**	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) 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, 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 2022. The Federal Reserve increased the overnight interest rate in March of 2022 for the first time in two years, then again four additional times in 2022. Additional increases are anticipated this year. Inflation has a negative impact on operating costs for the Association and on our customers' operations as well. The increasing strength of the dollar is also starting to negatively impact the export market for United States commodities. As the pandemic's impact has waned, employers like Farm Credit West have been impacted by the "Great Resignation" which resulted in higher turnover as employees left for higher wages, greater fulfillment and balance. High turnover results

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in additional cost associated with training, recruitment, and loss of productivity.

Significant portions of Farm Credit West's territory are experiencing severe 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 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 $64.6 million at September 30, 2022, a decrease from $71.4 million at December 31, 2021. Nonaccrual loan volume decreased $16.8 million during the first nine months of 2022 due primarily to $14.9 million in net repayments, net transfers to acquired property of $11.9 million and $2.3 million in transfers to accrual status. These decreases in nonaccrual volume were partially offset by $12.6 million in transfers to nonaccrual during the first nine months of the year. Other property owned increased to $10.0 million during the nine months ended September 30, 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 second quarter.

Allowance for Loan and Lease Losses

Our allowance for loan losses totaled $78.0 million (0.60% of loan principal and interest) at September 30, 2022, an increase of $8.4 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 third 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 $0.2 million in net charge-offs in the first nine months of the year and the provision for loan loss totaled $8.6 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 customers' 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, 2022 was $266.2 million with an annualized rate of return on average assets (ROA) of 2.57%. This was an increase of $23.1 million compared to the same period last year. Net income for the first nine months of 2021 was $243.1 million with an ROA of 2.62%. Following are the key changes in net income for the same period year-over-year:

- Net interest income increased by $35.0 million to $283.4 million during the first nine months of 2022 compared to the same period last year. The increase was mainly due to $28.9 million in favorable loan volume and investment security variances, a $5.5 million increase in favorable rate variances on outstanding loans, and a $0.5 million increase in nonaccrual interest income recognition in 2022 compared to 2021.
- Total noninterest income increased by $16.9 million to $81.0 million primarily due to:
    - $4.8 million increase in 2022 CoBank Patronage due to increase in basis points paid on direct note volume.
    - $4.7 million increase in patronage received from other Farm Credit Institutions.
    - $3.0 million decrease in losses on the buyback of debt.
    - $1.4 million increase in gains recognized on other property owned sold.
    - $1.2 million increase in 2021 special patronage received from CoBank in 2022.

Management's Discussion and Analysis

  - $1.1 million increase in gains related to proceeds received on charged-off loans.
  - $0.7 million increase in 2021 special patronage received from CoBank.
- Provision for loan losses increased by $16.0 million, due to a provision of $8.6 million during the first nine months of 2022 compared to a $7.4 million provision reversal for the same period in 2021.
- Total noninterest expense increased by $12.8 million to $89.6 million during the first nine months of 2022 compared to the same period in 2021. The change was due primarily to an increase in FCSIC insurance premiums of $4.4 million, an increase in salaries and benefits of $4.0 million, an increase in information technology of $1.0 million, an increase in merger implementation expense of $0.9 million, and an increase in public member relations of $0.6 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 diminished the capital value of this program. 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 were called (retired) as of May 1, 2022.

Future Payment Funds

At September 30, 2022, the customer-owned future payment funds increased by $178.2 million to $578.3 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 nine months, total members' equity decreased $37.9 million to $2.4 billion due to a decrease in preferred stock of $253.8 million, an increase in accumulated other comprehensive loss of $49.9 million and preferred stock dividend distributions of $0.4 million. These decreases were partially offset by net income of $266.2 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. Filipponi
Board Chair

Mark D. Littlefield
President and Chief Executive Officer

Esmeralda Guizar
Interim Chief Financial Officer

November 3, 2022

Farm Credit West, ACA

Consolidated Balance Sheets

(in thousands)	September 30, 2022 (unaudited)	December 31, 2021
Assets		
Loans and leases	**$ 12,911,654**	$ 12,434,244
Less: allowance for loan and lease losses	**(78,000)**	(69,600)
Net loans and leases	**12,833,654**	12,364,644
Cash	**17,077**	62,140
Accrued interest receivable	**155,676**	74,684
Investment securities — available-for-sale	**838,847**	441,869
Investment in CoBank	**360,369**	374,512
Other property owned	**9,992**	1
Premises and equipment, net	**46,483**	48,084
Accrued patronage receivable from CoBank	**45,428**	63,870
Funded benefits expense	**42,193**	37,854
Other assets	**41,809**	38,144
Total assets	**$ 14,391,528**	$ 13,505,802
Liabilities		
Note payable to CoBank	**$ 11,314,528**	$ 10,415,681
Future payment funds	**578,350**	400,107
Accrued interest payable	**33,746**	11,011
Patronage distribution payable	**—**	172,000
Accrued benefits liability	**34,674**	40,704
Other liabilities	**27,405**	25,508
Total liabilities	**11,988,703**	11,065,011
Members' Equity		
Preferred stock	**—**	253,803
Capital stock and participation certificates	**4,962**	5,039
Less: capital stock and participation certificates recievable	**(67)**	(45)
Unallocated retained earnings	**2,320,033**	2,054,207
Additional Paid-in-Capital	**133,312**	133,312
Accumulated other comprehensive loss	**(55,415)**	(5,525)
Total members' equity	**2,402,825**	2,440,791
Total liabilities and members' equity	**$ 14,391,528**	$ 13,505,802

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, **2022**	2021	For the nine months ended September 30, **2022**	2021
Interest Income				
Loans and leases	**$ 152,471**	$ 102,857	**$ 383,282**	$ 302,672
Investment securities	**4,187**	470	**6,386**	944
Total interest income	**156,658**	103,327	**389,668**	303,616
Interest Expense				
Note payable to CoBank	**53,967**	18,155	**103,479**	53,907
Future payment funds	**1,835**	446	**2,794**	1,284
Total interest expense	**55,802**	18,601	**106,273**	55,191
Net interest income	**100,856**	84,726	**283,395**	248,425
(Provision for) reversal of loan losses	**(4,395)**	3,044	**(8,567)**	7,452
Net interest income after provision for loan losses	**96,461**	87,770	**274,828**	255,877
Noninterest Income				
Patronage income	**15,610**	13,580	**63,844**	52,901
Loan and other fees	**3,689**	4,181	**10,613**	11,443
Losses on early extinguishments of debt	**—**	(3,001)	**—**	(3,001)
Other noninterest income	**968**	(218)	**6,555**	2,791
Total noninterest income	**20,267**	14,542	**81,012**	64,134
Noninterest Expense				
Salaries and employee benefits	**16,485**	14,623	**47,620**	43,641
Information technology services	**3,980**	3,882	**12,265**	11,227
Occupancy and equipment	**1,113**	1,065	**3,625**	3,402
Farm Credit Insurance Fund premiums	**4,971**	3,508	**14,754**	10,348
FCA Supervisory and examination expense	**668**	534	**2,005**	1,845
Other operating expense	**2,248**	2,140	**8,065**	6,448
Merger related expense	**635**	—	**917**	—
Acquired property expense	**244**	—	**393**	(20)
Total noninterest expense	**30,344**	25,752	**89,644**	76,891
Income before income taxes	**86,384**	76,560	**266,196**	243,121
Benefit (provision) for income taxes	**1**	7	**(8)**	(2)
Net income	**$ 86,385**	$ 76,567	**$ 266,188**	$ 243,119
Other Comprehensive Income				
Change in unrealized gains (losses) on investment securities - available-for-sale	**(28,374)**	**(579)**	**(50,640)**	**297**
Change in unrealized actuarial gains (losses) in Pension Restoration Plan	**250**	270	**750**	810
Total comprehensive income	**$ 58,261**	$ 76,258	**$ 216,298**	$ 244,226

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

Farm Credit West, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited and in thousands)	Preferred Stock	Capital Stock and Participation Certificates	Capital Stock and Participation Certificates Recievable	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				243,119		1,107	244,226
Preferred stock issued	—						—
Preferred stock retired	(80,085)						(80,085)
Capital stock and participation certificates issued		303					303
Capital stock and participation certificates retired		(300)					(300)
Preferred stock dividends declared and paid	1,128			(1,128)			—
Balance at September 30, 2021	$ 274,403	$ 4,983	$ —	$ 2,143,361	$ 133,312	$ (4,522)	$ 2,551,537
Balance at December 31, 2021	**$ 253,803**	**$ 5,039**	**$ (45)**	**$ 2,054,207**	**$ 133,312**	**$ (5,525)**	**$ 2,440,791**
Comprehensive income				**266,188**		**(49,890)**	**216,298**
Preferred stock issued	**—**						**—**
Preferred stock retired	**(254,165)**						**(254,165)**
Capital stock and participation certificates issued		**281**					**281**
Capital stock and participation certificates retired		**(358)**					**(358)**
Issuance of stock in exchange for customer stock recievable			**(25)**				**(25)**
Release of customer stock receivable associated with retired stock			**3**				**3**
Preferred stock dividends declared and paid	**362**			**(362)**			**—**
Balance at September 30, 2022	**$ —**	**$ 4,962**	**$ (67)**	**$ 2,320,033**	**$ 133,312**	**$ (55,415)**	**$ 2,402,825**

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 third 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. 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 2022, the Financial Accounting Standards Board (FASB) issued an update entitled "Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures." The guidance eliminates the accounting guidance for troubled debt restructurings (TDRs) by creditors while enhancing disclosure requirements for certain loan refinancings and restructurings when a borrower is experiencing financial difficulty. The creditor will have to apply the guidance to determine whether a modification results in a new loan or a continuation of an existing loan. In addition to the TDR guidance, the update requires public business entities to disclose current period gross writeoffs by year of origination for financing receivables and net investments in leases within the scope of the credit losses standard. These amendments will be effective for the System at the time of adoption of the measurement of credit losses on financial instruments standard on January 1, 2023.

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 single allowance framework for financial assets carried at amortized cost, which reflects management's estimate of expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. Credit losses relating to held-to-maturity securities, and depending on the situation, 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, including this entity, the guidance becomes effective for interim and annual reporting periods beginning after December 15, 2022. The Association continues to evaluate the impact of adoption on its financial condition and results of operations.

The entity does not expect its available-for-sale securities to be materially impacted by the adoption of this standard as a majority of the portfolio consists of U.S. Treasury and U.S. agency securities that inherently have an immaterial risk of loss.

Note 2 – Loans and Allowance for Loan and Lease Losses

A summary of loan principal outstanding follows.

(in thousands)	**September 30, 2022**	December 31, 2021
Real estate mortgage loans	**$ 7,255,113**	$ 6,995,947
Production and intermediate-term loans	**2,580,950**	2,847,099
Agribusiness loans	**2,207,489**	1,822,271
Direct financing leases	**201,742**	218,083
Rural infrastructure loans	**627,277**	511,758
Rural residential loans	**83**	86
Other loans	**39,000**	39,000
Total loans	**$ 12,911,654**	$ 12,434,244

The Other loans reflect purchased loans which have been classified to better align with lead lenders' loan types.

At September 30, 2022, Farm Credit West had $4.4 billion in unused commitments to extend credit to customers, net of participations sold, and $26.8 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.

(in thousands)	**September 30, 2022**	December 31, 2021
Minimum lease payments receivable	**$ 253,587**	$ 276,949
Unearned income	**(24,842)**	(27,301)
Estimated residual values	**2,854**	4,662
Participation interest sold	**(29,857)**	(36,227)
Direct financing leases	**$ 201,742**	$ 218,083

Notes to Consolidated Financial Statements

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)	**2022**	2021
Balance at beginning of year	**$ 69,600**	$ 77,600
Provision for (reversal of) loan losses	**8,567**	(7,452)
Charge-offs	**(245)**	—
Recoveries	**78**	352
Balance at September 30,	**$ 78,000**	$ 70,500

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

(in thousands)	**September 30, 2022**	December 31, 2021
Individually evaluated for impairment	**$ 8,079**	$ 9,131
Collectively evaluated for impairment	**69,921**	60,469
Total allowance	**$ 78,000**	$ 69,600

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, 2022 (in thousands)	Farm Credit Institutions	Non-Farm Credit Institutions	Total
Real estate mortgage loans	**$ 578,729**	**$ —**	**$ 578,729**
Production and intermediate-term loans	**728,008**	**57,120**	**785,128**
Agribusiness loans	**1,085,297**	**159,255**	**1,244,552**
Rural infrastructure loans	**627,277**	**—**	**627,277**
Other loans	**39,000**	**—**	**39,000**
Total participations purchased	**$ 3,058,311**	**$ 216,375**	**$ 3,274,686**

	Participations Sold		
September 30, 2022 (in thousands)	Farm Credit Institutions	Non-Farm Credit Institutions	Total
Real estate mortgage loans	**$ 2,283,965**	**$ —**	**$ 2,283,965**
Production and intermediate-term loans	**656,713**	**—**	**656,713**
Agribusiness loans	**985,258**	**—**	**985,258**
Direct financing leases	**29,857**	**—**	**29,857**
Total participations sold	**$ 3,955,793**	**$ —**	**$ 3,955,793**

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, 2022**	December 31, 2021
Impaired loans with related allowance	**$ 23,465**	$ 27,068
Impaired loans with no related allowance	**43,618**	49,465
Total impaired loans	**$ 67,083**	$ 76,533
Allowance on impaired loans	**$ 8,079**	$ 9,131

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

For the nine months ended September 30, (in thousands)	**2022**	2021
Average impaired loans	**$ 56,796**	$ 88,234
Interest income recognized on impaired loans	**$ 1,327**	$ 704

Nonperforming assets (including related accrued interest) breakdown follows:

(in thousands)	**September 30, 2022**	December 31, 2021
Nonaccrual loans	**$ 54,652**	$ 71,428
Accrual restructured	**54**	58
Accrual loans 90 days or more past due	**12,377**	5,047
Total impaired loans	**67,083**	76,533
Other property owned	**9,992**	1
Total impaired assets	**$ 77,075**	$ 76,534

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 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 nine months ended September 30, 2022 or at December 31, 2021.

TDRs outstanding totaled $0.1 million at September 30, 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 September 30, 2022 or at December 31, 2021.

Notes to Consolidated Financial Statements

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

Principal and interest September 30, 2022 (in thousands)	Not Past Due or Less Than 30 Days Past Due	Total Past Due	Total Loans
Real estate mortgage loans	**$ 7,356,215**	**$ 15,714**	**$ 7,371,929**
Production and intermediate-term loans	**2,593,348**	**9,824**	**2,603,172**
Agribusiness loans	**2,213,429**	**6,689**	**2,220,118**
Direct financing leases	**201,742**	**—**	**201,742**
Rural infrastructure loans	**628,527**	**—**	**628,527**
Rural residential loans	**83**	**—**	**83**
Other loans	**39,123**	**—**	**39,123**
Total loans	**$ 13,032,467**	**$ 32,227**	**$ 13,064,694**

Principal and interest September 30, 2022 (in thousands)	30-89 Days Past Due	90 Days or More Past Due	Total Past Due
Real estate mortgage loans	**$ 2,055**	**$ 13,658**	**$ 15,713**
Production and intermediate-term loans	**1,132**	**8,693**	**9,825**
Agribusiness loans	**5,988**	**701**	**6,689**
Direct financing leases	**—**	**—**	**—**
Total loans	**$ 9,175**	**$ 23,052**	**$ 32,227**

Principal and interest December 31, 2021 (in thousands)	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

Principal and interest December 31, 2021 (in thousands)	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:

	US Treasury Securities — Available-for-Sale				
		Gross Unrealized			Weighted
(dollars in thousands)	Amortized Cost	Gains	Losses	Fair Value	Average Yield
September 30, 2022	**$ 890,575**	**$ —**	**$ (51,728)**	**$ 838,847**	**2.12%**
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 September 30, 2022:

	US Treasury Securities — Available-for-Sale		
(dollars in thousands)	Due in one to five years Amount	Due in five to ten years Amount	Total Amount
Fair Value	**$ 585,606**	**$ 253,241**	**$ 838,847**
Amortized Cost	**603,012**	**287,563**	**890,575**
Weighted average yield	**2.82%**	**1.76%**	**2.12%**

Note 4 – Members' Equity

Preferred Stock

Farm Credit West is authorized to issue 500 million shares of class H preferred stock. In January 2022, the Board of Directors of Farm Credit West voted to discontinue the preferred stock program. All shares of preferred stock outstanding were called (retired) as of May 1, 2022.

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 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 recievable are included within members' equity in the Consolidated Balance Sheets under a new contra account titled "Less: capital stock and participation certificates recievable". This change has no impact on the capital stock or participation certificates owned by Farm Credit Wests' 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

Notes to Consolidated Financial Statements

common stock may also require approval by the FCA. At September 30, 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 September 30, 2022, Farm Credit West had 898,800 shares of class C capital stock outstanding at a par value of $5 per share, and 93,601 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.

	For the quarter ended			
Type of capital as % of risk-weighted assets	**Sep. 30, 2022**	Dec. 31, 2021	Dec. 31, 2020	Regulatory Minimum with Buffer
Common Equity Tier 1 Capital (CET1) ratio	**13.93%**	13.83%	13.85%	7.00%
Tier 1 Capital ratio	**13.93%**	13.83%	13.85%	8.50%
Total Capital ratio	**14.44%**	14.35%	14.46%	10.50%
Tier 1 leverage ratio	**14.59%**	14.80%	14.74%	5.00%
Minimum URE leverage ratio	**14.56%**	16.49%	16.30%	1.50%
Permanent capital ratio	**14.00%**	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.

(in thousands)	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	**(50,640)**	**750**	**(49,890)**
Net current period comprehensive income	**(50,640)**	**750**	**(49,890)**
Balance at September 30, 2022	**$ (51,728)**	**$ (3,687)**	**$ (55,415)**

(in thousands)	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 gain before reclassifications	297	810	1,107
Net current period comprehensive income	297	810	1,107
Balance at September 30, 2021	$ 324	$ (4,846)	$ (4,522)

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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.

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, 2022	**$ —**	**$ —**	**$ —**	**$ —**
December 31, 2021	$ 148	$ —	$ —	$ 148
Investment securities – available-for-sale				
September 30, 2022	**$ —**	**$ 838,847**	**$ —**	**$ 838,847**
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.

(in thousands)	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:		
Nonaccrual loans, net of related specific allowance		
September 30, 2022	**$ 15,386**	**$ 15,386**
December 31, 2021	17,937	17,937
Other property owned, appraised value		
September 30, 2022	**$ 11,165**	**$ 11,165**
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 were related to supplemental retirement plans and classified within Level 1. These trust assets held by Farm Credit West included 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 September 30, 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.

Notes to Consolidated Financial Statements

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.

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 September 30, 2022, $4.8 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 $0.3 million for the nine months ended September 30, 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.

For the nine months ended September 30, (in thousands)	**2022**	2021
Service cost	**$ 368**	$ 305
Interest cost	**112**	69
Net amortization and deferral	**750**	812
Net periodic benefit cost	**$ 1,230**	$ 1,186

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 3, 2022, which is the date the financial statements were issued. No Subsequent event items met the criteria for disclosure.