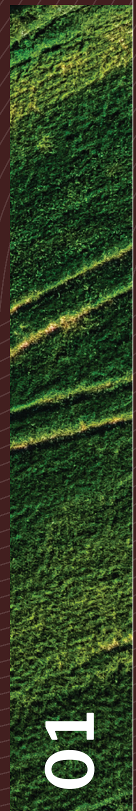
AGWEST FARM CREDIT

20

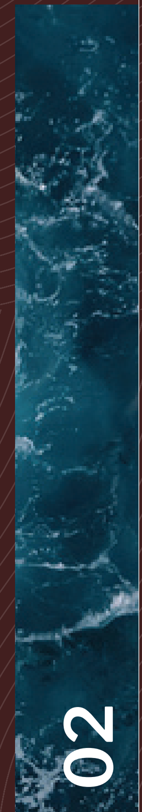
23

ANNUAL REPORT

ASSOCIATION OVERVIEW



SUCCESS STORIES



AGWEST FINANCIALS

MESSAGE FROM THE CEO AND BOARD CHAIR

We are pleased to present the inaugural annual report which marks a significant milestone as we celebrate the first year of operation as AgWest Farm Credit, following the merger of two strong associations, Farm Credit West and Northwest Farm Credit Services.

As we reflect on our inaugural year as AgWest, we are proud that we have accomplished all of the work that was necessary to assure a successful first year. Throughout 2023, we were steadfast in our commitment to keep you informed about the potential challenges and opportunities outlined in the merger disclosure package.

Today, AgWest is succeeding in making our goals a reality – minimizing the impact of merger risks, and maximizing future benefits for you, the customer-members of a newly formed association. Our success is the result of two key factors: a clearly defined, customer-centric purpose and dedicated staff who are driven by that purpose.

Our commitment to you

From the outset, the new AgWest Farm Credit Board of Directors provided clarity on our vision for AgWest. We are deeply committed to the long-term future of our new association and prioritize you, our customers, at the center of the work. Our purpose is built on the Farm Credit legacy of acting as stewards on behalf of our customer-members and recognizing that an engaged workforce is critical for success. We also know that vibrant communities sustain your businesses, your families and your way of life, so our purpose needs to support the foundational networks you rely on. Understanding these key pieces allowed us to articulate AgWest's purpose:

At AgWest, we champion agriculture by serving as the most trusted resource, helping our customers, employees and their communities thrive.

Each word of this purpose statement carries significance as we live out our values.

Delivering strong results

Our association realized strong financial results in 2023, standing on the shoulders of our two legacy associations. AgWest's profitability facilitates three important capabilities that help our customers and their communities thrive: first, our commitment to providing a return on equity to our customer-members through patronage. Second, generating earnings to grow our capital so we can continue to support the current and future borrowing needs of our customers. And third, generating revenue to live into our values of helping and strengthening communities through our stewardship investments. We were able to achieve all three as we leveraged the benefits of the merger and accomplished critical integration work.

Our first year net income of $707.8 million exceeded our projections, and capital grew to over $5.6 billion. This supports a larger hold position of loan volume, improving our capacity to grow with our customers. AgWest is well positioned to retain more originated loan volume on our books, and to build capital while controlling expenses.

Helping employees thrive

Our staff rallies behind our purpose and lives out what it means to champion, to help and to serve as we earn your trust. We recognize that our employees value purpose-driven careers, and they are deeply committed to the communities in which they work and live. Through our Team Giving Program and stewardship programs, they make a lasting impact in the communities we serve.

The merger brought together a deeper and more diverse pool of talent with our combined 1,174 employees. Recent employee survey results reveal the high level of engagement our employees have in the association and with our purpose. Important work continues in 2024 to further invest in our employees and align our market-based compensation programs for our expanded talent pool and geographic regions.

Building a foundation for the future

The merger also increased commodity, geographic and business model diversity, thereby reducing risk and increasing diversity in our loan portfolio, which can better support growth and provide stability through the inevitable economic cycles. Despite the broad implications of higher interest rates, inflation, pricing and commodity demand, we continue to be a strong financial partner for you as we consistently deliver a strong return through our Patronage Program. For 2023, your association's board of directors declared a patronage distribution equal to 125 basis points (bps) or 1.25% of your eligible average daily loan balances.

Another major undertaking in our first year was working behind the scenes to manage operations without interrupting our service to customers. Our staff continues to bring the same level of expertise and service to you as we work on simplifying and streamlining processes and integrating systems to derive more value from our technology. This is a win for both customers and employees and will be a continued focus moving forward.

Our holistic approach to serving you includes expanding our ability to support young, beginning and small producers through our AgVision Program, a robust suite of financial and educational services. We are also committed to empowering customers to guide financial support back to their communities through the Local Advisory Committee Guided Stewardship Program and by having access to the Rural Community Grant Program.

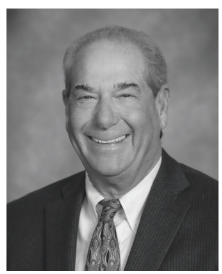
Leading us forward

Reflecting on the past year, we recognize that big things happen with great leadership. Nate Riggers completed his term as chair of the board in 2023. Nate's leadership, energy and commitment was instrumental in achieving a merger and success in our first year as AgWest. He led us through the complex process of governance with a solid board of directors, ensuring that each perspective, region and commodity was considered as we moved forward. We thank Nate for setting a strong foundation, leading us through 2023 and for his dedication to our association.

AgWest Directors Bob Amarel and Susan Doverspike retired from the board in 2023. We thank Bob and Susan for their many years of dedicated service, helping us stay focused on delivering on our commitments to customers and employees. Their retirements follow the plan to reduce the size of the AgWest Board of Directors over time.

As you review this year's report, we hope you are reminded of the impact that service, community and trust have on our daily work. With these elements forming the core of our purpose and the heart of AgWest, we can truly grow and help you thrive in the years to come. Thank you for entrusting us with your business in 2023. It is our honor to serve you, and we're proud to work together with you to champion agriculture far into the future.

Sincerely,

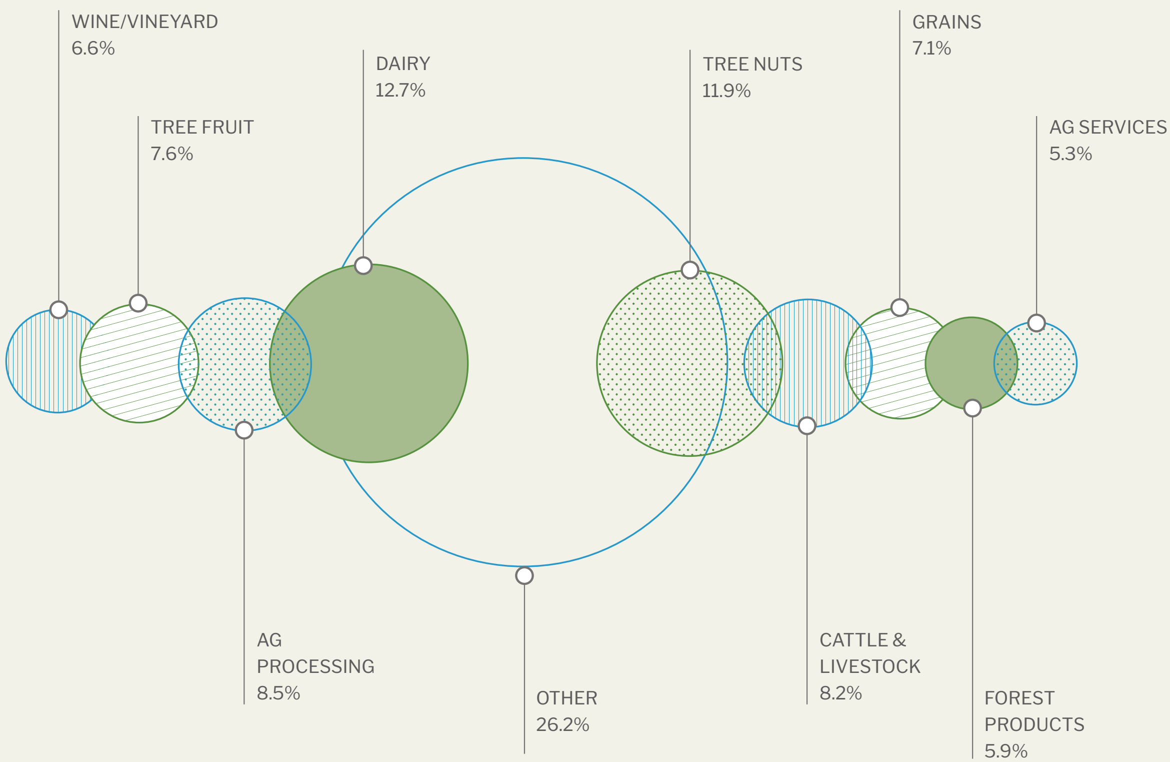


Douglas C. Filipponi
Board Chair

Mark D. Littlefield
President and
Chief Executive Officer

FINANCIAL HIGHLIGHTS

Commodity Diversification



AgWest 2023 Metrics

EARNINGS (NET INCOME)	$707.8 MILLION
TOTAL CAPITAL	$5.6 BILLION
TOTAL LOAN VOLUME	$29.2 BILLION
TOTAL PATRONAGE	125 BASIS POINTS (BPS) OF ELIGIBLE AVERAGE DAILY LOAN BALANCES, EQUAL TO $387 MILLION

Stewardship Investments

$6,707,204
TOTAL

$3,697,909
COMMUNITY

$941,371
EDUCATION & RESEARCH

$1,940,645
YOUTH

$82,279
VETERANS

$45,000
CRISIS

BOARD OF DIRECTORS

Front row (left to right)

Greg Hirai - *Wendell, ID*
Catherine Fanucchi – *Bakersfield, CA*
Douglas Filipponi (Chair) – *Creston, CA*
Mark Cook (Vice Chair) – *Willcox, AZ*
Joseph (Joey) Airoso – *Pixley, CA*
Tom Ikeda – *Arroyo Grande, CA*

Middle Row (left to right)

Barry Powell – *Sacramento, CA*
Colin Mellon – *Yuma, AZ*
Craig Gnos – *El Macero, CA*
John Helle – *Dillon, MT*

Middle Row (left to right) cont'd

Beth Kennar – *Spokane, WA*
Duane (Skip) Gray – *Albany, OR*
Vicki Eggebrecht – *Belgrade, MT*
Nate Riggers – *Nezperce, ID*

Back Row (left to right)

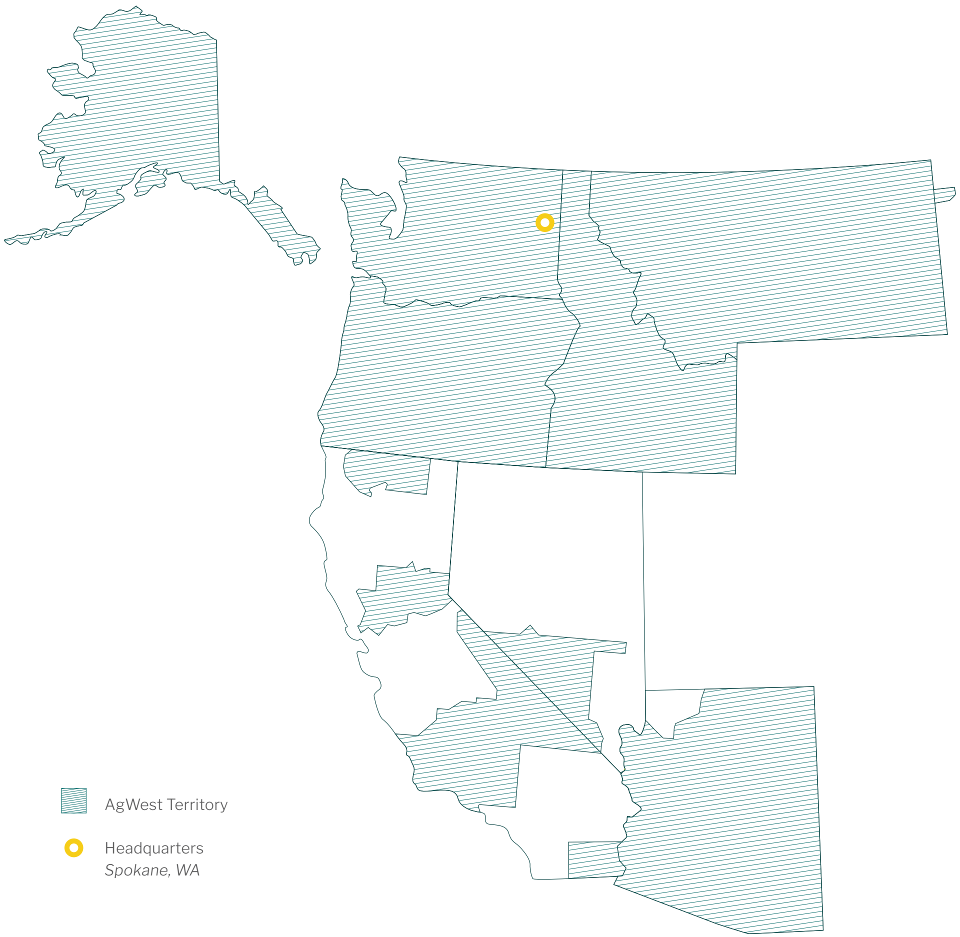
Blake Harlan – *Woodland, CA*
Bill Martin – *Rufus, OR*
Brian Talley – *Arroyo Grande, CA*
Shawn Walters – *Teton, ID*
Nels DeBruycker – *Choteau, MT*
Robert Hansen – *Hanford, CA*
Derek Schafer – *Ritzville, WA*
Andy Werkhoven – *Monroe, WA*

CHAPTER ONE

Success stories

LOCAL ADVISORY COMMITTEE

AgWest's Local Advisory Committee is at the core of our organization's continued success and vibrance. They provide valuable insight, advice and perspectives to the AgWest Board of Directors and the Operating Committee. Throughout the year, the AgWest Board of Directors and leadership meet with local advisors from each region to discuss association results and solicit feedback regarding how AgWest is performing. AgWest thanks each of these advisors for their time and commitment to this program and the valuable insight they provide.



Arizona

Hank Auza .... Yuma
Ryan Borer .... Phoenix
Dan Boschma .... Tonopah
Doug Dunlap .... Wilcox
Larry Ott .... Yuma
Matt Palmer .... Thatcher
Bill Raney, Jr. .... Casa Grande
Stefanie Smallhouse .... Benson
Bob Woodman .... Yuma

California

George Adam .... Santa Maria
Kerry Adam .... Nipoma
Satpaul Bains .... Yuba City
Bryan Barrios .... Woodland
Paula Dooley .... San Luis Obispo
Jay Errecarte .... Davis
Mike Frey .... Bakersfield
John Gardiner .... Shaver Lake
Dino Giacomazzi .... Hanford
Jeff Giumarra .... Bakersfield
Paul S. Greidanus .... San Luis Obispo
Shauna Hinton .... Montague
Roy Johnson .... Etna
Gordon Kimball .... Fillmore
Timothy LaBrucherie .... La Jolla
Anthony Laney .... Live Oak
Jonathan Lavy .... Yuba City
Steven Lock .... Paso Robles
Dan Martinez .... Winters
Mark McBroom .... Calipatria
Brian Mederios .... Hanford
Nicole Montna Van Vleck .... Yuba City
David Munger .... Bakersfield
Brian Naumann .... Camarillo
Antoine Overgaag .... Carpinteria
Bill Plourd .... El Centro
Jerry Rava, II .... King City
James Reamer, Sr. .... Clarksburg
Kent Stenderup .... Bakersfield
William Terry .... Ventura
Jamie Traynham .... Maxwell
Shane Tucker, Jr. .... Davis
Anthony Van Ruiten .... Robbins
Fred Van Wingerden .... Oxnard
Blake Vann .... Davis
Mike Ward .... Reedley
Dan Waterhouse .... Wasco
Brian Watte .... Tulare

Idaho

Luke Adams .... Rupert
Logan Alder .... Malad
Greg Anderson .... American Falls
Jeff Bartschi .... Montpelier
Alan Branch .... Malta
Chris Brannan .... Craigmont
Connie Christensen .... Blackfoot

Brent Clayton .... Ammon
Joe Clayton .... Eagle
Craig Corbett .... Grace
Coy Crapo .... St. Anthony
Jack Faulkner .... Gooding
Christina Gross .... Wilder
Karlene Hardy .... Oakley
Brantly Hatch .... Bancroft
Nicky Burke Hillman .... Hamer
Johanna Hyink .... Twin Falls
Josh Jones .... Troy
Philip Kaufman .... Lewiston
Kryst Krein .... American Falls
Spencer Larsen .... Blackfoot
Derek Larson .... Burley
Ron Lockwood .... Filer
Brent Lott .... Idaho Falls
Sean Maupin .... Ashton
Lukas Murgoitio .... Boise
Adam Nielsen .... Jackson
Nathan Noah .... Cambridge
Rick Pancheri .... Howe
Russell Patterson .... Heyburn
Greg Payne .... Caldwell
Aaron Povey .... American Falls
Brenda Richards .... Murphy
Marquee Ricks .... Newdale
Jade Searle .... Shelley
Cameron Skeen .... Fruitland
Jeanne Stubbers .... Kamiah
Michael Summers .... Cambridge
Allan Swainston .... Preston
Gerald Tews .... Filer
Will Toevs .... Aberdeen
Jennifer Traughber .... Jerome
Greg Troost .... Parma
Garth VanOrden .... Blackfoot
Jordan Whittaker .... Leadore
Jeremy Wray .... Blackfoot
Jared Zito .... Hammett

Montana

Neil Barnosky .... Sheridan
Tara Becken .... Big Timber
David Bell .... Great Falls
Roger Berg .... Hilger
Dusty Berwick .... Bainville
Shawna Billmayer .... Hogeland
Ryan Bogar .... Vida
Jon Bolstad .... Homestead
Rich Bronec .... Carter
Paul Broyles .... Rapelje
Shilo Capp .... Volborg
Mark Coverdell .... Fairfield
Nate Finch .... Dillon
Brandon Flynn .... Townsend
Scott Glasscock .... Angela
Jackie Grimsrud .... Roy
Garrett Grubb .... Conrad
Colleen Gustafson .... Browning
Jared Holzrichter .... Frazer
Michael Huber .... Great Falls
Tony Johnson .... Dell
Tyler Judisch .... Ledger
Kelly Kehler .... St. Xavier
Steve Lackman .... Miles City
Kari Lamey .... Wise River
Sherwin Leep .... Bozeman
Andrew Maki .... Corvallis
Jim McCabe .... Ekalaka
Jared Miller .... Gildford
Ben Murnion .... Brusett
Kurt Myllymaki .... Stanford
Roger Nelson .... Livingston
Link Nowlin .... Dutton
D.J. Olson .... Hysham
Miles Passmore .... Kalispell
Trey Patterson .... Ranchester, WY
Trudi Peterson .... Judith Gap
Ryan Pfeifle .... Great Falls
Bruce Richter .... Joplin
Jeff Schafer .... Denton
Shon Simonson .... Loring
Jim Stampfel .... Absarokee
Kathy Starkel .... Ronan
Lacey Sutherlin .... Stevensville
Lori Swanson .... Chinook
Larry Switzer .... Richey
Jayme Tash .... Dillon
Marty Thievin .... Richland
Carla Tihista .... Nashua
Mark Tombre .... Savage
Lee Van Dyke .... Manhattan
Alan Venema .... Manhattan
Patrick Verlanic .... Drummond

Oregon

Reed Anderson .... Brownsville
Roben Arnoldus .... Cove
Bryce Balin .... Klamath Falls
K.C. Bare .... Culver
Steve Bickford .... Hood River
Wade Bingaman .... Imbler
Gorham Blaine .... Parkdale
Daniel Boyajian .... Williams
Ryan Boyle .... Madras
Blake Crosby .... Oswego
Tim Dahle .... The Dalles
Tori Dennis .... Prineville
Emilie Dierickx .... Forest Grove
Scott Eder .... Silverton
Tom Fessler .... Mt. Angel
Scott Gibson .... Junction City
Javier Goirigolzarri .... Roseburg
Shelly Gray .... North Powder
Levi Hermens .... Wallowa
Joe Hill .... Baker City
Garren Hitner .... Sweet Home
Karl Jensen .... Pilot Rock
Kyle Kenagy .... Oakland
Daniel Keudell .... Aumsville
Cameron Krebs .... Boardman
Diane Kunkel .... Portland
Julie Lourenzo .... Tillamook
Jerry May .... Central Point
Beth McClaran .... Joseph
Scott McKenzie .... Sixes
Nick Moxley .... Bonanza
Blake Nelson .... Woodburn
Eric Orem .... Heppner
Randy Perkins .... Adams
Nathan Rea .... Milton Freewater
Craig Reeder .... Pendleton
Grant Simpson .... Moro
Alex Sokol Blosser .... Dayton
Marc Staunton .... Merrill
Macey Wessels .... Scio

Washington

Austin Allred .... Royal City
Justin Andrews .... Prosser
Bryce Bailey .... Harrington
Brian Baumann .... Washtucna
Riley Beaumont .... Quincy
Caleb Boettcher .... Eatonville
John Burton .... Mossyrock
April Clayton .... Orondo
Rob Dhaliwal .... Lynden
Adam Dolsen .... Yakima
Trevor Dorland .... Walla Walla
Steve Fish .... Sitka, AK
Amy Frye .... Mount Vernon
Allen Godwin .... Tonasket
Mike Goettl .... Yakima
Chuck Goldmark .... Okanagon
Taryn Hartley .... Prosser
Russell Kehl .... Quincy
Todd Kimball .... Walla Walla
Nick Koller .... Pomeroy
Evan Konshuk .... Spangle
Leann Krainick .... Enumclaw
Mike Lowe .... Ellensburg
Thomas Merkle .... Moses Lake
Zach Miller .... Pasco
Kyle Morscheck .... Clarkston
Jerry Nelson .... Burlington
Brian O'Leary .... Seattle
Robert Ricci .... Snohomish
Brenton Roy .... Prosser
Jim Stone .... Lakewood
Doug Swinney .... Palouse
Keith Tiegs .... Pasco
John Tillman .... Elma
Jerry Van Dellen .... Everson
Nick Weber .... Cotton
Carmen Weishaar .... Odessa
Daniel Westacott .... Farmington
Kriston Weyns .... Moses Lake
Bill Wirth .... East Wenatchee
Matt Zeiler .... Odessa

At AgWest, we champion agriculture by serving as the most trusted resource, helping our customers, employees and their communities thrive.

Great organizations are built on strong foundations. Over time, they grow, change and develop when supported by care and a commitment to put in the work. In the first year of AgWest Farm Credit, our board and leadership spent time carefully identifying the North Star of our foundation – our purpose – to ensure we're prepared to champion agriculture for years to come.

AgWest's purpose is rooted in the two legacy associations who joined together in 2023 to serve you as AgWest. This monumental first year is a testament to the strength and success that comes when we remain focused on helping our customers and employees thrive. Together, we are prepared to bolster agriculture and strengthen our communities as we lay a foundation for the future.

CH.01_SUCCESS STORIES

Supporting the legacy of a young farming family

Shelley is a beautiful, rural town located near the Snake River in southeastern Idaho, where agriculture is at the heart of many people's livelihoods. With a population of 5,000, neighbors are like family. Roots run deep here, and it's why Jade and Lindsay Searle chose to settle in Shelley and continue a legacy that began with Jade's great-grandfather.

Jade grew up in Shelley and is a fourth-generation farmer growing wheat, potatoes and alfalfa, and running a cow-calf operation. Lindsay grew up in the neighboring town of Blackfoot where she is also a fourth-generation rancher and farmer. "Considering my farming roots, I knew what I was getting into when I married Jade," laughs Lindsay. The two met in high school and were married in 2015. They jumped right in that year, working on the farm for Jade's dad and uncle.

Far left: Jade and Lindsay Searle pose with their three boys on their farming operation.

After Jade's dad and uncle split their farm at the close of that year, Jade spent the next year farming together with his dad, before his dad proposed they divide the operation so that Jade and Lindsay could have their own opportunities early in their career, and the stability to not have to split the farm later in life. "We were so grateful for the opportunity that Dad gave to us to begin our own operation. But we needed some financial help to get started," Jade explains.

In 2017, Jade approached Farm Credit, and Steve Smith, Senior Vice President of Idaho Lending. "I remember very vividly my first meeting with Steve. We needed money, but we didn't have anything to bring to the table. I feel like they took a big chance on us, and had they not done that, we wouldn't be anywhere near where we are today."

Since then, Lindsay and Jade have fully immersed themselves in AgWest's educational offerings. They attended conferences offered through the AgVision Program, a suite of services designed to help young, beginning and small producers get started in agriculture. The insights they gained helped them develop business management skills, plan for the future of their operation and connect with peers in agriculture.

"My binder full of notes testifies to the learning and vision we received there," says Lindsay. "It was a great opportunity for Jade and I to discuss and write our short and long term goals and focus on our values and what was most important for us and our farm." Jade also serves on AgWest's Local Advisory Committee (LAC), acting as a liaison between his community and AgWest. This role has allowed Jade to be more involved in the community and have a voice in directing grant funds through the LAC Guided Stewardship Program. "AgWest has given a lot of money back to our community, giving funds to help a burnt-down fire station, a community food bank and more, which speaks to the connection that AgWest makes between its customers and the community. They truly give back a hundredfold."

Jade and Lindsay also come to AgWest for their crop insurance needs and equipment loans, and they obtained a Country Home Loan to buy the house where they are raising their growing family: three sons, ages 7, 4 and 3, and new baby girl, born in February. The future of their business, their community and their family are always top of mind.

"The future is something that we talk about often," says Lindsay. "Even though our boys are young, farming is in their blood. It's amazing how much they love it. It's important to us to continue to farm so that they have an opportunity to work hard and grow up the way we both did."

When Lindsay and Jade reflect on why they appreciate working with their AgWest team, including Steve and their relationship manager Andy Lundquist, they agree that what they value most is how AgWest is focused on building relationships and helping their customers thrive.

As Jade explains, "AgWest makes you feel included in a way that empowers you to make better decisions for the future. I feel like we're a team."

Dedication to employee success

At AgWest Farm Credit, our employees play an essential role in shaping the organization's success. Our dedicated workforce is at the heart of our ability to be a trusted resource to the customer-members we serve. AgWest strives to empower employees to thrive both professionally and personally, and is proud of how we've come together over the last year to strengthen the communities where we work and live.

A conversation with Beth Kennar

Beth Kennar serves as Chair of the Human Capital Committee on the AgWest Board of Directors. The committee assists the board in fulfilling its fiduciary responsibilities to oversee and monitor the association's human capital plans, including CEO and staff compensation, retention and succession.

In 2023, the committee was tasked with bringing together two strong organizational philosophies and developing the best policies for AgWest while minimizing impact on employees. This approach helped ensure AgWest customers did not experience disruption or changes related to the services they receive.

Throughout the year, Beth and the committee fostered a culture of learning and relationship building, recognizing the opportunity to leverage the strengths of both legacy organizations. Their guiding principle was AgWest's purpose statement, which keeps customers and employees at the center of every decision.

"By including employees in our purpose, we're recognizing that if we want to be a trusted resource, we need to establish a trusted relationship in all our interactions," Beth explains. "This first and foremost starts with our employees."

Employee spotlights

AgWest extends heartfelt gratitude to the hardworking staff who exemplified commitment to our purpose in 2023. Here are just a few of the many AgWest employees who reflect our values each day.

Serving as a trusted resource

"It's extremely rewarding when you work with and mentor team members who want to learn. At AgWest we have a culture that attracts employees who are humble and willing to ask questions, learn and grow."

—Dennis Bigness, *Pasco, WA*

Dennis plays a vital role in AgWest's employee learning and development efforts, providing input on curriculum and sharing his knowledge and expertise. He also serves as a board member for the Washington Apple Education Foundation, supporting students pursuing higher education and awarding over $1,000,000 in scholarships to approximately 300 students annually.

"It goes far beyond products. We are a small piece of the puzzle but can make a positive difference to a customer and their operation. We're willing to take the time and invest in resources to help our customers prosper." —David Rocha, *Tulare, CA*

David actively engages in customer and employee learning programs at AgWest and keeps up on the latest industry trends to benefit his customers by serving as a trusted resource. He serves on the Cal Poly Ag Business Advisory Council and volunteers with the Tulare County Foundation for Ag Education and Youth.

Helping our communities

"It's been important for me to work for an organization that puts their money where their mouth is. A lot of organizations say that they're community-minded, but AgWest has proven they are and can have a real impact." —Scott Kesler, *Missoula, MT*

In 2023, Scott wrote letters of support for five Rural Community Grant projects and led his branch's Team Giving project. He serves on the board of the Producer Partnership, an organization in Montana that partners with livestock producers who donate livestock so it can be processed and given to food banks. Scott also organizes an annual competition encouraging co-workers to donate to the Montana Food Bank Network in the name of the Montana Grizzlies or Montana State Bobcats. AgWest matches all donations, which in 2023 resulted in funding for over 80,000 meals for Montanans.

"I am so appreciative to work for an organization that shares my core values. Our employees' connection to customers and the community truly makes a difference." —Amy Smith, *Twin Falls, ID*

Amy dedicates her time to giving back to the organizations that shaped her, serving on the Idaho FFA Foundation board and volunteering with her local FFA chapters. In 2023, Amy brought forward four Rural Community Grant projects, resulting in thousands of dollars granted to youth organizations in her community.

CH.01_SUCCESS STORIES

Igniting opportunities for student welders

Representatives from AgWest present check to SLO High School.

Located in the heart of California's Central Coast, San Luis Obispo (SLO) High School educates 1,600 students each year. This high school, home of the Tigers, is close to abundant agricultural career opportunities and lush farming operations that contribute to the California economy. Trade and agricultural education offerings are a key part of the curriculum available to students to help prepare them for successful careers.

Tim Fay, Industrial Technology Department Chair at SLO High School, leads the welding and manufacturing classes offered to all students, introducing them to the art of welding and preparing them to obtain a welding certification. Welding is an essential craft in many industries, and the demand for skilled, qualified welders is at an all-time high. However, necessary training, expertise and the cost of the certification can be a barrier to entry for someone starting a career in this field. Tim's program at SLO High School helps bridge that gap.

Two years ago, the San Luis Coastal School District completed a major facility upgrade for the welding classroom, significantly expanding the square footage and electrical capabilities. With the upgrades, the SLO High School Industrial Technology department envisioned adding ten new multi-process welding stations and one 400 amp TIG welding station to the facility. The new equipment would help prepare students to take the industry certification immediately after graduation.

However, the capital needed to purchase the machines is steep. One multi-process welder can cost over $4,000, and an industry-certified TIG welder is $16,000.

This funding need was identified and elevated by Paula Dooley, owner of Stephen Ross Cellars in San Luis Obispo. Paula serves as a local advisor with AgWest Farm Credit and has had two children attend SLO High School, one of whom was an avid four-year welding student. Paula credits Tim with showing her son that there are multiple paths towards becoming an engineer.

"Mr. Fay is a fantastic teacher, mentor and role model for these welding kids." said Paula. "When I heard about the stewardship program, I reached out to him to see if he was interested in applying to the Local Advisory Committee (LAC) Guided Stewardship Program, given the service he provides to students at the school and the dependence on welding that agriculture has."

The application was accepted, and AgWest awarded $64,000 to the SLO High School Industrial Technology department to purchase all the new machines that they had envisioned.

"These funds significantly increased access and improved the welding students' ability to use state of the art equipment in class, making them more employable upon graduation," continued Paula. "As an AgWest customer, I like to see investment in our local communities, as it reinforces the close and respectful relationships AgWest has with its borrowers, communities and agricultural business. This isn't your ordinary 'bank'."

AgWest's LAC Guided Stewardship Program is directed by AgWest customers, like Paula, who live in and understand the needs of rural communities. These local advisors serve as liaisons between AgWest and their customers and communities, and they help ensure stewardship investments will help rural communities thrive. In 2023, AgWest donated $2.5 million to 40 organizations across its territory as a part of the LAC Guided Stewardship Program.

"We are thrilled about the opportunities this grant will provide, enabling us to enhance our program and equip our students with the skills and knowledge they need to excel in the field," Tim said. "I believe the impact of this grant will help us to cultivate skilled professionals and contribute to the growth of our community for years to come."

CHAPTER TWO

AgWest financials

2023 AgWest Farm Credit, ACA

Annual Report to Stockholders

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(dollars in thousands) December 31,	2023	2022	2021	2020	2019
CONDENSED BALANCE SHEETS					
Cash	$ 110,770	$ 69,117	$ 55,287	$ 20,494	$ 57,432
Investment securities	1,776,547	606,343	422,301	252,417	15,322
Loans	29,188,545	14,330,607	13,610,719	12,754,461	12,057,655
Less: allowance for loan losses	148,000	67,500	60,000	75,500	72,500
Net loans	29,040,545	14,263,107	13,550,719	12,678,961	11,985,155
Investment in CoBank, ACB	808,983	419,844	444,046	441,373	403,572
Other assets	935,539	435,889	354,764	330,380	312,366
Total assets	$ 32,672,384	$ 15,794,300	$ 14,827,117	$ 13,723,625	$ 12,773,847
Obligations with maturities of one year or less	$ 15,034,009	$ 6,060,755	$ 5,910,862	$ 5,313,479	$ 5,142,204
Obligations with maturities longer than one year	12,017,450	6,612,885	5,926,824	5,605,238	4,957,292
Total liabilities	27,051,459	12,673,640	11,837,686	10,918,717	10,099,496
Capital stock and participation certificates	18,396	13,502	13,480	13,392	12,830
Less: capital stock and participation certificates receivable (Note 8)	(13,716)	(13,502)	(13,480)	(13,392)	—
Additional paid-in capital	2,149,282	—	—	—	—
Accumulated other comprehensive loss, net of tax	(23,946)	(37,862)	(4,561)	(135)	(1,380)
Allocated retained earnings[1]	1,994,117	1,880,908	1,740,921	1,645,635	1,535,119
Unallocated retained earnings	1,496,792	1,277,614	1,253,071	1,159,408	1,127,782
Total members' equity	5,620,925	3,120,660	2,989,431	2,804,908	2,674,351
Total liabilities and members' equity	$ 32,672,384	$ 15,794,300	$ 14,827,117	$ 13,723,625	$ 12,773,847
CONDENSED STATEMENTS OF INCOME					
Net interest income	$ 848,850	$ 413,552	$ 387,836	$ 365,561	$ 339,346
Provision for credit losses (credit loss reversal)	81,022	8,712	(22,656)	7,105	(3,210)
Noninterest income	317,949	163,815	144,801	138,603	119,050
Noninterest expense	376,057	217,047	199,762	177,197	170,188
Provision for income taxes	1,871	590	1,420	471	1,109
Net income	$ 707,849	$ 351,018	$ 354,111	$ 319,391	$ 290,309
KEY FINANCIAL RATIOS FOR THE YEAR					
Return on average assets	2.3%	2.3%	2.5%	2.4%	2.4%
Return on average members' equity	13.1%	11.5%	12.2%	11.6%	11.1%
Net interest income as a percentage of average earning assets	2.9%	2.8%	2.9%	2.9%	3.0%
Net loan charge-offs (recoveries) as a percentage of average loans	0.0%	0.0%	0.0%	0.0%	0.0%
AT YEAR END					
Members' equity as a percentage of total assets	17.2%	19.8%	20.2%	20.4%	20.9%
Debt as a ratio to members' equity	4.8:1	4.1:1	4.0:1	3.9:1	3.8:1
Allowance for loan losses as a percentage of loans[2]	0.5%	0.5%	0.4%	0.6%	0.6%
Permanent capital ratio	15.3%	17.2%	17.3%	17.4%	17.7%
Common Equity Tier 1 (CET1) Capital	15.2%	17.1%	17.2%	17.3%	17.6%
Tier 1 Capital	15.2%	17.1%	17.2%	17.3%	17.6%
Total Capital	15.7%	17.7%	17.7%	18.0%	18.4%
Tier 1 Leverage	15.9%	18.1%	18.3%	18.4%	19.2%
Unallocated Retained Earnings and URE Equivalents (UREE) Leverage	15.9%	18.1%	19.7%	19.6%	20.3%
OTHER					
Loans serviced for other entities	$ 8,925,140	$ 5,993,208	$ 5,182,201	$ 5,122,107	$ 4,653,151
Patronage	$ 386,962	$ 186,488	$ 165,162	$ 177,248	$ 145,084

[1]Represents non-qualified written notices of allocation which are included within Unallocated retained earnings on the consolidated financial statements.

[2]Prior to the adoption of CECL on January 1, 2023, loans included accrued interest receivables.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following commentary summarizes the financial condition and results of operations of AgWest Farm Credit, an Agricultural Credit Association (ACA), and its wholly-owned subsidiaries (collectively referred to as AgWest) for the year ended December 31, 2023. The commentary should be read in conjunction with the accompanying consolidated financial statements and notes. Dollar amounts are in thousands unless otherwise stated. The consolidated financial statements were prepared under the oversight of the Audit Committee.

Business Overview

Farm Credit System Structure and Mission

As of December 31, 2023, AgWest is one of 57 associations in the Farm Credit System (System), which was created by Congress in 1916 and has served agricultural producers for over 100 years. The System's mission is to provide sound and dependable credit to farmers, ranchers, producers or harvesters of aquatic and forest products, rural residents and farm-related businesses through a member-owned cooperative system. This is done by making loans and providing financial services. Through its commitment and dedication to agriculture, the System continues to have the largest portfolio of agricultural loans of any lender in the United States. The Farm Credit Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). By law, the Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on System-wide debt obligations, (2) to ensure the retirement of protected stock at par or stated value, and (3) for other specified purposes. The Farm Credit Administration (FCA) is the System's independent safety and soundness federal regulator and was established to supervise, examine and regulate System institutions.

Structure and Focus

AgWest is a customer-member cooperative that provides credit and financially-related services to or for the benefit of eligible customers. AgWest makes short-term, intermediate-term and long-term loans; provides commitments to extend credit; makes equipment financing leases; and offers advance conditional payment accounts to farmers, ranchers, rural residents and agribusinesses. AgWest also serves as an intermediary in offering federal multi-peril crop insurance programs, including the Whole-Farm Revenue Protection (WFRP) program and named peril/crop hail insurance. AgWest offers its customers services such as fee appraisals, business management education and planning services. Additionally, a full array of loan and leasing products are delivered through Farm Credit Leasing and AgDirect, LLP (AgDirect), which is an agricultural equipment financing program offered through equipment dealers. AgWest's success is largely due to its extensive agricultural experience, knowledge of the market and a high level of engagement with its customers and employees. AgWest obtains funding for its lending and operations from CoBank, which is one of the four Farm Credit System Banks. CoBank is a cooperative of which AgWest is a member. CoBank, its related associations, and AgVantis Inc. (AgVantis), a technology service corporation, are referred to as the District.

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

The effects of the merger are included in AgWest's financial position, results of operations, equity and related metrics beginning January 1, 2023. For additional information, refer to Note 1 to the consolidated financial statements.

AgWest and its predecessors' annual and quarterly reports to stockholders may be obtained free of charge on AgWest's website, www.AgWestFC.com, or upon request at AgWest Farm Credit, ACA, P.O. Box 2515, Spokane, Washington 99220-2515, by telephone at (509) 340-5300, or toll free at (800) 743-2125. Annual reports are available within 75 days after year end and quarterly reports are available within 40 days after the calendar quarter end. Additionally, the financial condition and results of operations of CoBank, ACB (CoBank) may materially affect the risk associated with stockholder investments in AgWest. Stockholders of AgWest may obtain copies of CoBank's financial statements free of charge by accessing CoBank's website, www.cobank.com, or upon request to AgWest.

Forward-Looking Statements

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

Commodity Review and Outlook

The following highlights the general health of agricultural commodities with the greatest concentrations in AgWest's loan portfolio.

Dairy: The 12-month outlook sees the dairy industry as slightly unprofitable. Economic uncertainties hinder domestic consumer spending, and less international trade places downward pressure on global prices. Producers' margins are being squeezed by softening milk prices and volatile production expenses. Dairies face headwinds from inflation and a slowing global economy, requiring careful cash flow management and deployment of risk mitigation strategies.

Tree Nuts: The 12-month profitability outlook for the tree nut industry is mixed, with walnuts unprofitable, almonds slightly unprofitable and pistachios break-even to slightly profitable. Walnut and almond producers face headwinds from excess inventories and low prices, which were brought about by rising production levels and reduced access to export markets during the pandemic. Pistachio producers are benefiting from reasonably strong demand and prices.

Cattle and Livestock: The 12-month outlook for cattle suggests profitable returns for cow-calf producers and slightly profitable returns for cattle feeders. A smaller national herd supports strong prices and cow-calf producers will likely enjoy record cattle prices and lower production costs in 2024. Despite record retail beef prices, domestic demand has remained robust.

Tree Fruit: The principal commodity financed in this sector is apples. The 12-month outlook is generally unprofitable for apple growers and profitable for packers for the 2023 crop. The large 2023 crop is lowering prices and profitability, but exports are improving and many growers are increasing insurance coverage in anticipation of continuing challenges in the industry.

Grains: The 12-month profitability outlook for small gains and pulse crops suggests slightly profitable returns. Drought in certain regions continues to impact winter wheat conditions. Lower global prices have put downward pressure on domestic wheat prices. Producers could face headwinds from wheat prices declining faster than production costs and pressure from higher interest expenses.

Wine/Vineyard: The 12-month outlook for wineries is slightly profitable and vineyards is breakeven. Drivers include good quality on the 2023 vintage, lower expected production in Washington, excess wine supply across the west coast and strong direct-to-consumer sales.

Forest Products: The 12-month outlook for forest products manufacturers and timberland owners is slightly profitable. Drivers include low lumber prices, reduced lumber output in North America, strong performance among some panel mills and weak log demand.

AgWest's financial strength, portfolio diversity and underwriting remain well positioned to work with borrowers through market cycles. For more information on key industries, visit the Industry Insights page under Education and Resources on www.AgWestFC.com.

Merger Activity

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

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

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

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

Financial Condition

Loan Portfolio

AgWest extends loans and provides financially-related services to qualified borrowers in agricultural and rural sectors and to certain related entities. The loan portfolio is diversified by loan participations purchased and sold, geographic locations served, commodities financed, loan size and structure.

AgWest adopted the Financial Accounting Standards Board guidance entitled Measurement of Credit Losses on Financial Instruments effective January 1, 2023. This guidance introduced the current expected credit losses methodology (CECL) for the measurement of credit losses on financial assets measured at amortized cost basis, replacing the previous incurred loss methodology. Under this guidance the accounting for loans acquired in a business combination is dependent on whether or not the loans have experienced more-than-insignificant deterioration in credit quality since origination. Those loans that have not had more-than-insignificant credit deterioration are considered non-purchased credit deteriorated (non-PCD) loans. These loans are recorded at fair value and an increase to the Allowance for Credit Losses (ACL) is recorded with a corresponding increase to the provision for credit losses. Purchased loans that reflect a more-than-insignificant credit deterioration since origination are considered purchased with credit deterioration (PCD). Of the total $12.6 billion loans acquired, management identified $470.5 million as PCD loans. The initial Allowance for Loan Losses (ALL) was added to the purchase price of the PCD loans to establish the initial amortized cost basis, rather than being reported as a provision for credit losses. For additional information, refer to Note 2 to the consolidated financial statements.

Loans by type are presented in the following table:

December 31,	2023		2022 [1]		2021 [1]	
	Outstanding	Percent	Outstanding	Percent	Outstanding	Percent
Production agriculture:						
Real estate mortgage	$ 13,999,394	48.0%	$ 7,199,901	49.8%	$ 7,003,397	51.0%
Production and intermediate-term	7,468,450	25.6%	3,540,674	24.5%	3,301,941	24.1%
Agribusiness:						
Processing and marketing	2,945,220	10.1%	1,862,298	12.9%	1,572,896	11.5%
Loans to cooperatives	1,786,597	6.1%	481,884	3.3%	522,960	3.8%
Farm-related business	846,418	2.9%	427,448	2.9%	315,425	2.3%
Rural infrastructure:						
Energy	800,952	2.8%	257,560	1.8%	298,893	2.2%
Communications	434,873	1.5%	189,224	1.3%	158,523	1.2%
Water and waste disposal	334,795	1.1%	119,265	0.8%	88,933	0.6%
Rural residential real estate	230,837	0.8%	284,423	2.0%	339,364	2.5%
Financing Leases	217,091	0.7%	64,793	0.4%	72,263	0.5%
Other	123,918	0.4%	41,594	0.3%	38,202	0.3%
Total	**$ 29,188,545**	**100.0%**	**$ 14,469,064**	**100.0%**	**$ 13,712,797**	**100.0%**

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

Volume of participations purchased and sold are presented in the following table (participations purchased volume in the table excludes syndications):

December 31,	2023	2022	2021
Participations purchased	$ 6,049,916	$ 3,364,296	$ 3,038,173
Participations sold	$ 8,960,179	$ 6,009,058	$ 5,195,353

Loan concentrations by state are presented in the following table. States in the AgWest chartered territory with concentrations of one percent or less are included within other.

December 31,	2023	2022	2021
California	38.1%	8.7%	8.4%
Washington	16.9%	27.8%	27.8%
Idaho	11.3%	20.1%	20.4%
Oregon	9.3%	17.3%	17.4%
Montana	4.0%	7.4%	7.4%
Arizona	2.5%	0.2%	0.2%
Other	17.9%	18.5%	18.4%
Total	**100.0%**	**100.0%**	**100.0%**

The following table shows the primary agricultural commodities produced by AgWest members based on the Standard Industrial Classification System (SIC) published by the federal government. This system is used to assign commodity or industry categories based on the primary business of the customer. Further diversification exists within the identified commodities as most member operations produce more than one commodity.

December 31,	2023	2022	2021
Dairy	12.7%	11.1%	11.5%
Tree Nuts	11.9%	2.9%	2.8%
Agricultural Processing	8.5%	6.3%	6.2%
Cattle and Livestock	8.2%	10.7%	10.4%
Tree Fruit	7.6%	8.3%	6.7%
Grains	7.1%	10.2%	10.1%
Wine/Vineyard	6.6%	4.6%	4.7%
Forest Products	5.9%	8.1%	8.6%
Agricultural Services	5.3%	6.0%	5.4%
Other concentrations in aggregate	26.2%	31.8%	33.6%
Total	**100.0%**	**100.0%**	**100.0%**

Agricultural Processing includes the processing and preparation of agricultural products to be suitable for the market and consumption. Agricultural Services includes equipment and input supply providers, ensuring the health and productivity of crops and livestock, and facilitation of the efficient production and distribution of food and other agricultural products.

At December 31, 2023, nonperforming assets consisted of nonaccrual loans, net of business combination discounts, accrual loans 90 days or more past due and other property owned. A summary of nonperforming assets is presented in the following tables:

December 31,	2023
Performing loans	**$ 29,043,554**
Nonperforming assets:	
Nonaccrual loans	139,347
Accrual loans 90 days or more past due	5,644
Other property owned, net	12,124
Total nonperforming assets	**$ 157,115**
Nonaccrual loans as a percentage of total loans	0.5%
Nonperforming assets as a percentage of total loans and other property owned	0.5%
Nonperforming assets as a percentage of members' equity	2.8%

Prior to January 1, 2023, nonperforming assets consisted of nonaccrual loans, restructured accrual loans, accrual loans 90 days or more past due and other property owned.

December 31,		*2022* [1]		*2021* [1]
Performing loans	**$**	**14,419,487**	**$**	**13,655,525**
Nonperforming assets:				
Nonaccrual loans		46,732		49,526
Restructured accrual loans		2,043		4,964
Accrual loans 90 days or more past due		802		2,782
Other property owned, net		—		—
Total nonperforming assets	**$**	**49,577**	**$**	**57,272**
Nonaccrual loans as a percentage of total loans		0.3%		0.4%
Nonperforming assets as a percentage of total loans and other property owned		0.3%		0.4%
Nonperforming assets as a percentage of members' equity		1.6%		1.9%

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

Total nonperforming assets at December 31, 2023, increased by $107.5 million or 216.9 percent compared to December 31, 2022, primarily due to nonaccrual loans and other property owned of $56.5 million acquired in the merger and deterioration in certain commodities observed in 2023.

Nonaccrual loan changes are summarized in the following table:

Year ended December 31,		*2023*		*2022*		*2021*
Beginning balance	$	46,732	$	49,526	$	47,474
Acquired in merger		54,069		—		—
Transfer from accrual status		134,625		19,375		19,434
Return to accrual status		(529)		(2,091)		(4,654)
Charge-offs		(971)		(951)		(67)
Transfers to other property owned		(113)		—		—
Repayments		(110,604)		(20,476)		(12,934)
Other, net		16,138		1,349		273
Ending balance	**$**	**139,347**	**$**	**46,732**	**$**	**49,526**

The primary component of Other, net in 2023 was the accretion of net business combination discounts on nonaccrual loans. As of December 31, 2023, 2022 and 2021, nonaccrual loans that were current as to principal and interest were 57.3 percent, 20.5 percent, and 53.4 percent, respectively. Additional loan information is in Note 4 to the consolidated financial statements.

Allowance for Credit Losses

The ACL is comprised of the ALL and the reserve for unfunded commitments, which is presented on the Consolidated Balance Sheets in Other liabilities. Beginning January 1, 2023, the ACL represents the estimated current expected credit losses over the remaining contractual life of financial assets measured at amortized cost and certain off-balance sheet credit exposures. The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are not unconditionally cancellable. With the adoption of CECL, the methodology for the ACL represents management’s estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, excluding net business combination discounts, applicable accrued interest, and net deferred fees and costs. The estimate of the ACL involves a high degree of judgment; therefore, the process for determining expected credit losses may result in a range of expected credit losses. The ACL recorded on the Consolidated Balance Sheets reflects management’s best estimate within the range of expected credit losses. AgWest employs a disciplined process and methodology within its model to establish its ACL that has two basic components: first, loans individually evaluated for impairment which involves loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, loans collectively evaluated for impairment which involves estimated expected credit losses for pools of loans that share similar risk characteristics.

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

Prior to January 1, 2023, the ACL was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors were considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition and prior loan loss experience. The ACL encompassed various judgments, evaluations and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations and appraisals to change over time.

Beginning January 1, 2023, individually evaluated loans are generally nonaccrual loans. For individually evaluated loans, expected credit losses are measured as the difference between the amortized cost basis of the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis of the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale of the collateral. Management reassesses the need for adjustments to the loan's expected credit loss measurements based on updated fair values and, where appropriate, records an adjustment.

Prior to January 1, 2023, loans individually evaluated in the ALL represented the difference between the recorded investment in the loan and the present value of the cash flows expected to be collected, discounted at the loans's effective interest rate, or at the fair value of the collateral, if the loan was collateral-dependent.

The ALL attributable to individually evaluated loans at December 31, 2023, 2022 and 2021, totaled $13.8 million, $4.7 million and $2.5 million, respectively. The ALL, including the individually evaluated loan allowance, at December 31, 2023, 2022 and 2021, totaled $148.0 million, $67.5 million and $60.0 million, respectively. Additional information is in Note 2 and Note 4 to the consolidated financial statements.

Coverage of the ALL, as a percentage of certain key loan categories, is presented in the following table:

December 31,	*2023*	*2022*	*2021*
Allowance for loan losses as a percentage of:			
Total loans	0.5%	0.5%	0.4%
Nonaccrual loans	106.2%	144.4%	121.1%
Nonperforming assets	94.2%	136.2%	104.8%

Beginning January 1, 2023, AgWest evaluates a reserve for unfunded commitments under CECL. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the institution and applying the loss factors used in the ACL methodology to the results of the usage calculation. Prior to January 1, 2023, the reserve for unfunded lending commitments was based on management's best estimate of losses inherent in lending commitments made to customers but not yet disbursed. The reserve for unfunded commitments, including the individually evaluated reserve, is reported within Other liabilities on the Consolidated Balance Sheets and totaled $24.0 million, $17.0 million and $16.5 million at December 31, 2023, 2022 and 2021, respectively.

Results of Operations

The merger significantly impacted the results of operations. The following discussion summarizes the significant changes as compared to the prior year.

Net income: Net income for the year ended December 31, 2023, was $707.8 million, compared to $351.0 million for 2022 and $354.1 million for 2021. The following table provides detail of changes in the components of net income:

Change between the years ended December 31,	*2023 and 2022*	*2022 and 2021*
Increase in net interest income	$ 435,298	$ 25,716
Increase in provision for credit losses	(72,310)	(31,368)
Increase in noninterest income	154,134	19,014
Increase in noninterest expense	(159,010)	(17,285)
(Increase) decrease in provision for income taxes	(1,281)	830
Total increase (decrease) in net income	**$ 356,831**	**$ (3,093)**

Net interest income: Net interest income was $435.3 million higher in 2023 compared to 2022, primarily due to the merger and a rising interest rate environment. As a result of the merger, net business combination discounts were recorded on the acquired loans, investments and debt. The net business combination discounts on loans and investments are accreted to interest income and are partially offset by the amortization of the net business combination discount recorded on the acquired debt to interest expense. Net interest income was $25.7 million higher in 2022 compared to 2021, primarily due to an increase in the rates and volume of interest earning assets, partially offset by an increase in the rates and volume of interest bearing liabilities. Net interest income includes net loan business combination discounts and net deferred fees accreted to interest income of $149.2 million, $5.0 million and $4.8 million for the years ended December 31, 2023, 2022 and 2021, respectively. Net interest income also includes $99.8 million of net business combination discounts on debt amortized into interest expense for the year ended December 31, 2023. There was no amortization into interest expense for years ended December 31, 2022 and 2021.

The following tables provide the impact in net interest income due to changes in interest rates and volume of interest earning assets and interest bearing liabilities:

Change between years ended December 31, 2023 and 2022	*Change in income/expense*	*Change in rate*	*Change in volume*
Interest income on total loans	$ 1,280,370	$ 680,856	$ 599,514
Interest income on investment securities	50,014	36,694	13,320
Total interest income	**$ 1,330,384**	**$ 717,550**	**$ 612,834**
Total interest expense	(895,086)	(660,302)	(234,784)
Net interest income	**$ 435,298**	**$ 57,248**	**$ 378,050**

Change between years ended December 31, 2022 and 2021	*Change in income/expense*	*Change in rate*	*Change in volume*
Interest income on total loans	$ 129,090	$ 85,244	$ 43,846
Interest income on investment securities	3,846	3,041	805
Total interest income	**$ 132,936**	**$ 88,285**	**$ 44,651**
Total interest expense	(107,220)	(94,912)	(12,308)
Net interest income	**$ 25,716**	**$ (6,627)**	**$ 32,343**

Information regarding the average daily balances and average rates earned and paid are presented in the following tables:

December 31, 2023	*Average Balance*	*Interest*	*Rate*
Net interest income components			
Interest earning assets:			
Total loans	$ 27,458,254	$ 1,911,683	6.96 %
Investment securities	1,664,707	55,529	3.34 %
Total interest earning assets	**$ 29,122,961**	**$ 1,967,212**	**6.75 %**
Interest bearing liabilities:			
Note payable to CoBank, ACB	$ 23,683,640	$ 1,086,925	4.59 %
Advance conditional payments and other interest bearing liabilities	990,897	31,437	3.17 %
Total interest bearing liabilities	**$ 24,674,537**	**$ 1,118,362**	**4.53 %**
Interest rate spread			2.22 %
Impact of equity financing	$ 4,448,424		0.69 %
Net interest income and net interest margin		**$ 848,850**	**2.91 %**

December 31, 2022	*Average Balance*	*Interest*	*Rate*
Net interest income components			
Interest earning assets:			
Total loans	$ 14,083,830	$ 631,313	4.48 %
Investment securities	487,443	5,515	1.13 %
Total interest earning assets	**$ 14,571,273**	**$ 636,828**	**4.37 %**
Interest bearing liabilities:			
Note payable to CoBank, ACB	$ 11,462,136	$ 217,775	1.90 %
Advance conditional payments and other interest bearing liabilities	565,185	5,501	0.97 %
Total interest bearing liabilities	**$ 12,027,321**	**$ 223,276**	**1.86 %**
Interest rate spread			2.51 %
Impact of equity financing	$ 2,543,952		0.33 %
Net interest income and net interest margin		**$ 413,552**	**2.84 %**

December 31, 2021		*Average Balance*		*Interest*	*Rate*
Net interest income components					
Interest earning assets:					
Total loans	$	12,952,978	$	502,223	3.88 %
Investment securities		328,869		1,669	0.51 %
Total interest earning assets	**$**	**13,281,847**	**$**	**503,892**	**3.79 %**
Interest bearing liabilities:					
Note payable to CoBank, ACB	$	10,373,107	$	115,480	1.11 %
Advance conditional payments and other interest bearing liabilities		500,983		576	0.11 %
Total interest bearing liabilities	**$**	**10,874,090**	**$**	**116,056**	**1.07 %**
Interest rate spread					2.72 %
Impact of equity financing	$	2,407,757			0.20 %
Net interest income and net interest margin			**$**	**387,836**	**2.92 %**

Provision for credit losses/credit loss reversal: In 2023, the provision for credit losses of $81.0 million was primarily due to a $53.7 million impact to provision expense as a result of business combination accounting which required that a majority of the acquired portfolio's ACL be rebuilt through the income statement. Among other variables, loan growth and a decline in credit quality also contributed to the provision for credit losses in 2023. Refer to the Loan Portfolio section for additional discussion on the provision and ACL. In 2022, the provision for credit losses of $8.7 million was primarily due to growth in the lending portfolio. In 2021, the credit loss reversal of $22.7 million was primarily the result of changes in assumptions within the ACL calculation related to the market environment which impacted the estimated incurred losses within the portfolio.

Noninterest income: In 2023, noninterest income increased $154.1 million or 94.1 percent compared to 2022, primarily due to an increase in Patronage income of $114.6 million, an increase in Other noninterest income of $21.8 million and an increase in Loan and other fees of $11.7 million. The increase in Patronage income was due to an increase in the average note payable to CoBank compared to 2022, an increase in patronage from loan volume sold to other System entities, and special patronage from CoBank of $20.8 million in 2023 compared to $12.6 million in 2022. The increase in Other noninterest income was primarily due to the sale of AgWest's mineral rights which resulted in a gain on sale of $14.5 million. The increase in Loan and other fees was primarily due to an increase in loan fees as a result of the merger.

In 2022, noninterest income increased $19.0 million or 13.1 percent compared to 2021, primarily due to an increase in Other noninterest income of $21.0 million and an increase in Patronage income of $13.3 million, offset by a decrease in Loan and other fees of $17.9 million. The increase in Other noninterest income was primarily due to less debt extinguishment cost in 2022 compared to 2021. The increase in Patronage income was due to an increase in the average note payable to CoBank compared to 2021, an increase in patronage from loan volume sold to other System entities, and special patronage from CoBank of $12.6 million in 2022 compared to $10.2 million in 2021. Loan and other fees decreased primarily due to less prepayment fees collected in 2022 compared to 2021.

Noninterest expense: In 2023, noninterest expense increased $159.0 million or 73.3 percent compared to 2022, primarily related to the previously discussed merger. Salaries and employee benefits increased $81.6 million, primarily as a result of the larger employee base. Other noninterest expenses increased $23.7 million, which includes an increase in merger expenses of $4.9 million, and is primarily related to an increased footprint and activity. Information technology services increased $19.0 million, also as a result of the increase in size and employee base, along with projects underway to enhance technology platforms. Insurance fund premiums increased $17.0 million and Public and member relations increased $12.4 million. The increase in Public and member relations was primarily due to increased stewardship giving directed to a Donor Advised Fund of $7.0 million in 2023, compared to $0.3 million in 2022. These funds are used to support eligible non-profit organizations in local communities.

In 2022, noninterest expenses increased $17.3 million or 8.7 percent compared to 2021, primarily related to an increase in Salaries and employee benefits of $12.2 million, an increase in Other noninterest expenses of $8.3 million, higher Insurance fund premiums of $5.8 million and higher Information technology services of $4.1 million, offset by a decrease in Public and member relations of $13.7 million. Salaries and employee benefits increased as a result of the normal merit administration, increased cost of benefits, and higher incentive compensation as a result of earnings in 2022. The increase in Other noninterest expenses was primarily due to $4.9 million of merger related expenses in 2022. The increase in Insurance fund premiums was primarily related to an increase in the premium assessment rate on Systemwide adjusted insured debt. Information technology services increased primarily due to higher technology fees. Public and member relations decreased primarily due to stewardship giving expenses directed to the DAF of $0.3 million in 2022, compared to $13.5 million in 2021.

Salaries and employee benefits includes a reduction of $8.1 million, $9.3 million and $10.8 million in deferred loan origination costs for the years ended December 31, 2023, 2022 and 2021, respectively. Deferred loan origination costs are periodically updated to reflect cost changes, primarily related to Salaries and employee benefits.

Liquidity, Investment Securities and Funding Sources

The primary source of AgWest liquidity and funding is a direct loan from CoBank that is reported as a Note payable to CoBank, ACB on the Consolidated Balance Sheets. The funding arrangement is governed by the General Financing Agreement. AgWest is currently in compliance with this agreement, including repayment, pursuant to the terms and conditions of each debt obligation to CoBank and does not foresee issues with obtaining funding or maintaining liquidity and sensitivity requirements. As of December 31, 2023, AgWest's Note payable to CoBank, ACB was $25.6 billion which is net of $303.3 million in net business combination discounts related to the merger. For additional information, refer to Note 7 to the consolidated financial statements.

AgWest has two secondary sources of liquidity and funding, with the first being a liquidity investments portfolio managed by AgWest. The liquidity investments portfolio holds investment securities primarily to maintain a liquidity reserve and to assist with interest rate risk management. In accordance with Board-approved policies, AgWest purchases high credit quality investment securities to ensure the investment portfolio is readily marketable and available to serve as a source of liquidity in the event of disruption to AgWest's normal funding sources. Additional investment securities information is in Note 2 and Note 3 to the consolidated financial statements. AgWest's other secondary source of liquidity and funding is through an uncommitted federal funds line of credit with Wells Fargo Bank, N.A. The amount available through this line is $125.0 million and is intended to provide liquidity for disaster recovery or other emergency situations. As of December 31, 2023, no balance was outstanding on this line of credit.

Asset/Liability Management

In the normal course of lending activities, AgWest is subject to interest rate risk. The asset/liability management objective is monitored by the Asset/Liability Committee (ALCO) relative to a funding strategy designed to manage within interest rate risk limits targeting reasonable stability in net interest income over an intermediate planning horizon and preserving a relatively stable market value of equity. Mismatches and exposure in interest rate repricing and indices of assets and liabilities can arise from product structures, customer activity, capital re-investment and liability management. While AgWest actively manages interest rate risk within the policy limits approved by the AgWest Board of Directors (the board) through the strategies established by ALCO, there is no assurance that these mismatches and exposures will not adversely impact earnings and capital. The overall objective is to develop competitively priced and structured loan products meeting customers' needs and fund these products with a blend of equity and debt obligations selected to minimize, but not completely eliminate, risks to net interest income and market value of equity.

The interest rate gap analysis shown in the following table presents a comparison of the length of the rate commitments for interest earning assets and interest bearing liabilities in defined time segments at December 31, 2023. The interest rate gap analysis is a static indicator for how AgWest is positioned. It compares the amount of assets and liabilities with interest rates maturing or repricing at various future time periods. Factors not considered in the gap analysis (but monitored by ALCO) include differences between interest rate indices on loans relative to the underlying funding, relative changes in the levels of interest rates over time, and changes in optionality included in some loans and funding instruments.

December 31, 2023	*One month or less*	*Over 1 month to 6 months*	*Over 6 months to 1 year*	*Over 1 year to 5 years*	*Over 5 years*	*Total*
Interest earning assets:						
Loans						
Floating-rate loans	$15,383,513	$ 262,578	$ —	$ —	$ —	$ 15,646,091
Adjustable rate loans	27,013	77,815	84,559	542,145	351,303	1,082,835
Fixed-rate loans, prepayable	95,025	358,986	413,196	3,798,517	2,088,929	6,754,653
Fixed-rate loans	44,998	353,850	447,296	3,258,448	1,461,027	5,565,619
Nonaccrual loans	100,536	7,776	9,332	21,703	—	139,347
Total Loans	**$15,651,085**	**$ 1,061,005**	**$ 954,383**	**$ 7,620,813**	**$ 3,901,259**	**$ 29,188,545**
Investment securities	955	215,774	104,882	1,255,066	199,870	1,776,547
Total interest earning assets	**$15,652,040**	**$ 1,276,779**	**$ 1,059,265**	**$ 8,875,879**	**$ 4,101,129**	**$ 30,965,092**
Interest bearing liabilities:						
Debt						
Floating-rate debt	$15,933,482	$ —	$ —	$ —	$ —	$ 15,933,482
Discount notes	198,024	295,979	14,879	—	—	508,882
Fixed-rate debt, callable	(3,026)	117,309	80,005	2,081,797	1,869,938	4,146,023
Fixed-rate debt	172,647	656,519	463,577	2,347,853	1,344,853	4,985,449
Effect of interest rate swaps	39,000	(7,000)	(27,000)	(5,000)	—	—
Note payable to CoBank, ACB	**$16,340,127**	**$ 1,062,807**	**$ 531,461**	**$ 4,424,650**	**$ 3,214,791**	**$ 25,573,836**
Advance conditional payments and other interest bearing liabilities	719,478	—	—	—	—	719,478
Total interest bearing liabilities	**$17,059,605**	**$ 1,062,807**	**$ 531,461**	**$ 4,424,650**	**$ 3,214,791**	**$ 26,293,314**
Interest rate sensitivity gap	**$ (1,407,565)**	**$ 213,972**	**$ 527,804**	**$ 4,451,229**	**$ 886,338**	**$ 4,671,778**
Cumulative gap	**$ (1,407,565)**	**$(1,193,593)**	**$ (665,789)**	**$ 3,785,440**	**$ 4,671,778**	
Cumulative gap/total interest earning assets	**-4.55%**	**-3.85%**	**-2.15%**	**12.22%**	**15.09%**	

AgWest's interest rate gap as of December 31, 2023, is characterized as liability sensitive. A liability sensitive position means as interest rates rise earnings decrease and as interest rates fall earnings increase. Given some of the inherent weaknesses with interest rate gap analysis, simulation models are used to develop additional interest rate sensitivity measures and estimates. The assumptions used to produce anticipated results are periodically reviewed and models are tested to help ensure reasonable performance. Various simulations are produced for net interest income and the market value of equity. These simulations help to assess interest rate risk and inform adjustments as needed to the products and related funding strategies.

AgWest's asset/liability management board policy establishes limits for changes in net interest income and market value of equity sensitivities. These limits are measured and reviewed by ALCO monthly and reported to the board at least quarterly. The board policy limits for net interest income and the market value of equity are a negative 15 percent change from base given parallel and instantaneous shocks of interest rates up and down 2 percent. In instances where the rate on the three-month U.S. Treasury bill is less than 4 percent, FCA guidelines prescribe the down 2 percent shock to be amended to one-half the three-month U.S. Treasury bill rate. In the event where the current three-month U.S. Treasury bill rate is negative, AgWest will coordinate with FCA and CoBank for the down shock amount. As of December 31, 2023, the down shock amount was equal to down 2 percent. These simulation results are also used to assess GFA compliance with the net interest income and market value of equity sensitivity requirements, and necessary follow-up action(s), if any.

The up and down shocks reflected in the following table are based on parallel and instantaneous interest rate movements.

December 31, 2023	*- 2% shock*	*- 1% shock*	*+ 1% shock*	*+ 2% shock*	*+ 3% shock*
Change in net interest income	4.13%	2.18%	-2.19%	-4.44%	-6.73%
Change in market value of equity	6.25%	3.02%	-2.95%	-5.81%	-8.47%

The change in the presented metrics are primarily a result of the merger on January 1, 2023. As of December 31, 2023, all interest rate risk-related measures were within the board policy limits, GFA requirements and management guidelines.

Use of Derivatives

To achieve risk management objectives and satisfy the financing needs of its borrowers, AgWest executes derivative transactions with CoBank. Derivatives (interest rate swaps) are used to manage liquidity and the interest rate risk arising from maturity and repricing mismatches between assets and liabilities. The notional amounts of derivatives, weighted average interest rates to be received and paid, and fair values as of December 31, 2023, are shown in the following table:

	Derivative financial instruments at December 31, 2023			
Derivative product	*Notional amount*	*Weighted average receive rate*	*Weighted average pay rate*	*Fair value*
Receive-fixed swaps	$ 39,000	2.52%	5.45%	$ (702)
Total	**$ 39,000**	**2.52%**	**5.45%**	**$ (702)**

The following section includes a summary of AgWest's portfolio by strategy and further explanation of each strategy.

	Notional amounts of derivative financial instruments by strategy		
December 31,	*2023*	*2022*	*2021*
Liquidity management	$ —	$ 100,000	$ —
Equity positioning	39,000	125,000	140,000
Total	**$ 39,000**	**$ 225,000**	**$ 140,000**

Liquidity Management

Interest rate swaps are executed to improve liquidity, primarily by effectively converting longer-term fixed-rate bonds and notes into synthetic floating-rate debt indexed to the Secured Overnight Financing Rate (SOFR). The fixed rate received on the swap provides a degree of offset to the fixed rate paid on the associated hedged debt instrument, which results in a synthetic floating-rate arrangement for the combined pairing of the swap and hedged debt instrument. This allows AgWest to issue fixed-rate debt with a corresponding receive-fixed, pay-floating interest rate swap to fund assets with shorter repricing terms.

Equity Positioning

AgWest also uses interest rate swaps to manage interest rate risk as it relates to the investment of its equity. If the cash flows of loans and investments on the balance sheet do not create the targeted maturity for the investment of its equity, AgWest enters into receive-fixed interest rate swaps to produce the desired equity investment maturity profile. Additional derivative information is in Note 15 to the consolidated financial statements.

Transition from LIBOR to SOFR

LIBOR was a widely referenced benchmark rate, which was published in three currencies and a range of tenors, and sought to estimate the cost at which financial institutions could borrow on an unsecured basis from other financial institutions. On March 5, 2021, the Financial Conduct Authority and the administrator of LIBOR announced LIBOR would no longer be published on a representative basis after December 31, 2021, with the exception of the most commonly used tenors of U.S. dollar (USD) LIBOR which were no longer published on a representative basis after June 30, 2023.

In the United States, the Alternative Reference Rates Committee (ARRC) of the Federal Reserve Board and the Federal Reserve Bank of New York approved SOFR as the recommended alternative to LIBOR and the Federal Reserve Bank of New York began publishing SOFR in April of 2018. In July 2021, the ARRC recommended the CME Group’s forward looking SOFR term rates, which provided a key tool to market participants as the end of LIBOR approached.

As of December 31, 2023, all loans, debt and derivatives have matured or been converted to an alternative index and AgWest no longer has any exposure to LIBOR.

Members’ Equity

AgWest has a capitalization objective to maintain a strong capital base, which is comprised almost entirely of unallocated retained earnings, for its continued financial viability and to provide for growth necessary to competitively meet the needs of its customers. In assessing the amount of capital needed, AgWest takes into account credit risk, funding and interest rate risks, contingent and off-balance sheet liabilities and other conditions warranting additional capital. AgWest's capital position is reflected in the following ratio comparisons:

December 31,	*2023*	*2022*	*2021*
Debt to members' equity	4.8:1	4.1:1	4.0:1
Members' equity as a percent of total loans	19.3%	21.8%	22.0%
Members' equity as a percent of total assets	17.2%	19.8%	20.2%

Capital Regulations

The FCA regulations require AgWest to maintain minimums for various regulatory capital ratios. AgWest management is not aware of any reasons why the regulatory capital requirements would not be met in 2024, nor is it currently or expected to be prohibited from retiring stock or distributing earnings in 2024. For additional information related to capital and related requirements and restrictions, refer to Note 8 to the consolidated financial statements.

AGWEST FARM CREDIT, ACA

REPORT OF MANAGEMENT

The financial statements of AgWest are prepared by management, which is responsible for their integrity and objectivity, including amounts necessarily based on judgments and estimates. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, and, in the opinion of management, fairly present the financial condition of AgWest. Other financial information included in the 2023 Annual Report to Stockholders is consistent with that in the financial statements.

To meet its responsibility for reliable financial information, management depends on AgWest's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost must be related to the benefits derived. To monitor compliance, the Internal Audit staff performs audits of the accounting records, reviews accounting systems and internal controls, and recommends improvements as appropriate. The financial statements are audited by PricewaterhouseCoopers LLP, independent auditors. AgWest is also examined by the Farm Credit Administration.

The Chief Executive Officer, as delegated by the Board of Directors, has overall responsibility for AgWest's system of internal controls and financial reporting. The board has delegated significant responsibility to the Audit Committee, which is comprised entirely of directors who are independent of AgWest’s management. The Audit Committee meets periodically with management, independent auditors and internal auditors to ensure they are carrying out their responsibilities. The Audit Committee is also responsible for performing an oversight role by reviewing and monitoring the financial, accounting and auditing procedures of AgWest in addition to reviewing AgWest's financial reports. The independent auditors and internal auditors have full and free access to the Audit Committee, with or without the presence of management, to discuss the adequacy of the internal control structure for financial reporting and any other matters they believe should be brought to the attention of the committee.

The undersigned certify that they have reviewed the 2023 Annual Report to Stockholders and it has been prepared in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate and complete to the best of our knowledge and belief.

Mark D. Littlefield	Tom Nakano	Douglas C. Filipponi
President and CEO	Chief Financial Officer	Chair of the Board
March 8, 2024	March 8, 2024	March 8, 2024

AGWEST FARM CREDIT, ACA

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

AgWest principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for AgWest's consolidated financial statements. For purposes of this report, “internal control over financial reporting” is defined as a process designed by or under the supervision of AgWest's principal executives and principal financial officers, or persons performing similar functions, and effected by its board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of AgWest, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of AgWest, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of AgWest's assets that could have a material effect on its consolidated financial statements.

AgWest's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2023. In making the assessment, management used the framework in Internal Control—Integrated Framework (2013), promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the “COSO” criteria.

Based on the assessment performed, AgWest concluded that as of December 31, 2023, the internal control over financial reporting was effective. Additionally, based on this assessment, AgWest determined there were no material weaknesses in the internal control over financial reporting as of December 31, 2023. There were no material changes in the internal control over financial reporting during the year ended December 31, 2023.

Mark D. Littlefield	Tom Nakano
President and CEO	Chief Financial Officer
March 8, 2024	March 8, 2024

AGWEST FARM CREDIT, ACA

REPORT OF AUDIT COMMITTEE

The Audit Committee during the year was composed of six members of the AgWest Board of Directors. In 2023, the Audit Committee met seven times (four times in person and three times virtually). The Audit Committee oversees the scope of AgWest's internal audit program, the independence of the outside auditors, the adequacy of AgWest's system of internal controls and procedures and the adequacy of management's action with respect to recommendations arising from those auditing activities. In addition, the Audit Committee approved the appointment of PricewaterhouseCoopers LLP (PwC) as independent auditors for 2023. The Audit Committee's responsibilities are described more fully in the Audit Committee Charter.

Management is responsible for internal controls and the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing its report based on the audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited financial statements for the year ended December 31, 2023 with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statements on Auditing Standards. PwC and the internal auditors directly provided reports on significant matters to the Audit Committee.

The Audit Committee had discussions with and received the written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC any other matters and received such assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended the AgWest Board of Directors include the audited financial statements in the annual report as of and for the year ended December 31, 2023.

Barry T. Powell
Chair of the Audit Committee
March 8, 2024

Vicki Eggebrecht
Bill Martin
Colin Mellon
Nate Riggers

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of AgWest Farm Credit, ACA

Opinion

We have audited the accompanying consolidated financial statements of AgWest Farm Credit, ACA and its subsidiaries (the "Association"), which comprise the consolidated balance sheets as of December 31, 2023, 2022 and 2021, and the related consolidated statements of income and comprehensive income, of changes in members' equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2023, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Association changed the manner in which it accounts for the allowance for credit losses. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the 2023 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

San Francisco, California
March 8, 2024

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

December 31,	*2023*	*2022*	*2021*
ASSETS			
Cash	$ 110,770	$ 69,117	$ 55,287
Investment securities	1,776,547	606,343	422,301
Loans	29,188,545	14,330,607	13,610,719
Less: allowance for loan losses	148,000	67,500	60,000
Net loans	29,040,545	14,263,107	13,550,719
Accrued interest receivable	370,121	140,947	103,704
Investment in CoBank, ACB	808,983	419,844	444,046
Patronage receivable	205,421	107,536	94,986
Investment in other Farm Credit System entities	37,364	33,175	26,407
Premises and equipment, net	100,370	53,551	48,194
Other assets	222,263	100,680	81,473
Total assets	$ 32,672,384	$ 15,794,300	$ 14,827,117
LIABILITIES			
Note payable to CoBank, ACB	$ 25,573,836	$ 11,809,550	$ 11,040,740
Advance conditional payments and other interest bearing liabilities	719,478	517,155	526,948
Accrued interest payable	162,751	47,302	24,138
Patronage payable	386,900	186,500	165,030
Other liabilities	208,494	113,133	80,830
Total liabilities	27,051,459	12,673,640	11,837,686
Commitments and Contingent Liabilities (Note 14)			
MEMBERS' EQUITY			
Capital stock and participation certificates	18,396	13,502	13,480
Less: capital stock and participation certificates receivable	(13,716)	(13,502)	(13,480)
Additional paid-in-capital	2,149,282	—	—
Accumulated other comprehensive loss	(23,946)	(37,862)	(4,561)
Unallocated retained earnings	3,490,909	3,158,522	2,993,992
Total members' equity	5,620,925	3,120,660	2,989,431
Total liabilities and members' equity	$ 32,672,384	$ 15,794,300	$ 14,827,117

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

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(dollars in thousands)

For the year ended December 31,	***2023***	***2022***	***2021***
NET INTEREST INCOME			
Interest income	$ 1,967,212	$ 636,828	$ 503,892
Interest expense	1,118,362	223,276	116,056
Net interest income	848,850	413,552	387,836
Provision for credit losses (credit loss reversal)	81,022	8,712	(22,656)
Net interest income after provision for credit losses (credit loss reversal)	767,828	404,840	410,492
NONINTEREST INCOME			
Patronage	223,743	109,145	95,849
Financially-related services	34,081	28,011	25,324
Loan and other fees	26,058	14,373	32,317
Other noninterest income	34,067	12,286	(8,689)
Total noninterest income	317,949	163,815	144,801
NONINTEREST EXPENSE			
Salaries and employee benefits	196,665	115,071	102,850
Information technology services	49,044	29,997	25,850
Insurance fund premiums	37,892	20,890	15,112
Public and member relations	18,966	6,551	20,250
Occupancy and equipment	15,766	10,551	9,999
Other noninterest expenses	57,724	33,987	25,701
Total noninterest expense	376,057	217,047	199,762
Income before income taxes	709,720	351,608	355,531
Provision for income taxes	1,871	590	1,420
Net income	$ 707,849	$ 351,018	$ 354,111
OTHER COMPREHENSIVE INCOME			
Net pension adjustment	$ (989)	$ (5)	$ 436
Net change in unrealized gains (losses) on investment securities	14,905	(33,296)	(4,862)
Other comprehensive income (loss)	13,916	(33,301)	(4,426)
Total comprehensive income	$ 721,765	$ 317,717	$ 349,685

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

(dollars in thousands)

	Capital stock and participation certificates, net	Unallocated retained earnings	Additional paid-in-capital	Accumulated other comprehensive income (loss)	Total members' equity
Balance at December 31, 2020	$ —	$ 2,805,043	$ —	$ (135)	$ 2,804,908
Comprehensive income	—	354,111	—	(4,426)	349,685
Capital stock and participation certificates issued	1,928	—	—	—	1,928
Capital stock and participation certificates retired	(1,840)	—	—	—	(1,840)
Less: capital stock and participation certificates receivable	(88)	—	—	—	(88)
Patronage	—	(165,162)	—	—	(165,162)
Balance at December 31, 2021	$ —	$ 2,993,992	$ —	$ (4,561)	$ 2,989,431
Comprehensive income	—	351,018	—	(33,301)	317,717
Capital stock and participation certificates issued	1,475	—	—	—	1,475
Capital stock and participation certificates retired	(1,453)	—	—	—	(1,453)
Less: capital stock and participation certificates receivable	(22)	—	—	—	(22)
Patronage	—	(186,488)	—	—	(186,488)
Balance at December 31, 2022	$ —	$ 3,158,522	$ —	$ (37,862)	$ 3,120,660
Cumulative change in accounting principle due to the adoption of CECL	—	11,500	—	—	11,500
Business combination adjustments due to merger	4,863	—	2,149,282	—	2,154,145
Comprehensive income	—	707,849	—	13,916	721,765
Capital stock and participation certificates issued	1,379	—	—	—	1,379
Capital stock and participation certificates retired	(1,417)	—	—	—	(1,417)
Less: capital stock and participation certificates receivable	(145)	—	—	—	(145)
Patronage	—	(386,962)	—	—	(386,962)
Balance at December 31, 2023	$ 4,680	$ 3,490,909	$ 2,149,282	$ (23,946)	$ 5,620,925

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

Year ended December 31,	***2023***	***2022***	***2021***
Cash flows from operating activities:			
Net income	$ 707,849	$ 351,018	$ 354,111
Adjustments to reconcile net income to net cash from operating activities:			
Provision for credit losses (credit loss reversal)	81,022	8,712	(22,656)
Depreciation and amortization on premises and equipment and intangible assets	6,636	3,785	3,708
Net loss on early extinguishment of notes payable	—	1,426	19,805
Accretion of net discounts on loans	(122,355)	—	—
(Accretion) amortization of net discounts on investment securities	(24,597)	260	1,904
Amortization of net discounts on debt	99,842	—	—
Other, net	2,403	2,760	(2,722)
Changes in:			
Accrued interest receivable	(96,371)	(37,243)	1,808
Patronage receivable	(32,777)	(12,550)	(13,007)
Other assets	(9,626)	(8,391)	(13,656)
Accrued interest payable	70,625	23,164	(2,803)
Other liabilities	2,293	13,970	(2,362)
Net cash provided by operating activities	684,944	346,911	324,130
Cash flows from investing activities:			
Increase in loans, net	(2,070,446)	(720,600)	(856,102)
(Increase) decrease in CoBank, ACB and other investments	(25,513)	16,857	(5,241)
Purchase of investment securities	(763,348)	(265,311)	(381,650)
Proceeds from sales of investment securities	—	47,803	—
Maturities of investment securities	475,000	—	205,000
Purchases of premises and equipment	(4,311)	(8,482)	(8,490)
Net cash acquired in business combination	45,740	—	—
Other investing activities, net	427	—	—
Net cash used in investing activities	(2,342,451)	(929,733)	(1,046,483)
Cash flows from financing activities:			
Increase in notes payable, net	2,282,739	773,432	726,066
Payments on early extinguishment of notes payable	—	(1,426)	(19,805)
(Decrease) increase in advanced conditional payments	(224,694)	(9,469)	186,474
Distribution of patronage	(357,820)	(165,018)	(134,792)
Other financing activities, net	(1,065)	(867)	(797)
Net cash provided by financing activities	1,699,160	596,652	757,146
Net increase in cash	41,653	13,830	34,793
Cash at beginning of period	69,117	55,287	20,494
Cash at end of period	$ 110,770	$ 69,117	$ 55,287

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

SUPPLEMENTAL CONSOLIDATED STATEMENTS OF CASH FLOWS INFORMATION

(dollars in thousands) ***Year ended December 31,***	***2023***	***2022***	***2021***
Supplemental schedule of non-cash investing and financing activities:			
Issuance of stock in exchange for customer stock receivable	$ 1,208	$ 1,475	$ 1,928
Release of customer stock receivable associated with retired stock	(1,063)	(1,453)	(1,840)
Other non-cash activity, net	113	—	—
Supplemental cash flow information:			
Interest paid	$ 914,062	$ 177,406	$ 115,103
Income taxes paid, net of refunds	112	800	677

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

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)

Note 1 – Organization and Operations

Organization

AgWest Farm Credit, ACA and its subsidiaries, AgWest Farm Credit, FLCA (the Federal Land Credit Association) and AgWest Farm Credit, PCA (the Production Credit Association) (collectively referred to as AgWest), are customer-member cooperatives that provide credit and financially-related services to eligible customers primarily in the states of Alaska, Arizona, California, Idaho, Montana, Nevada, North Dakota, Oregon and Washington.

AgWest is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations, which was established in 1916 by Acts of Congress to meet the credit needs of American agriculture and rural America and is subject to the provisions of the Farm Credit Act of 1971, as amended (the Farm Credit Act). As of December 31, 2023, the System is composed of three Farm Credit Banks (FCBs), one Agricultural Credit Bank (ACB) and 57 associations.

CoBank, ACB, and its wholly-owned subsidiaries (CoBank), its related associations, and AgVantis Inc. (AgVantis), a technology service corporation, are collectively referred to as the District. CoBank provides the funding to associations within the District and is responsible for supervising certain activities of the District associations. CoBank is the funding bank of AgWest. As of December 31, 2023, the District consists of CoBank and 16 Agricultural Credit Associations (ACA), each having two wholly-owned subsidiaries (an FLCA and a PCA), one FLCA and AgVantis. ACA parent companies provide credit and financially-related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short-term and intermediate-term loans and leases for agricultural production or operating purposes.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of the System institutions to ensure their compliance with the Farm Credit Act, FCA regulations and safe and sound banking practices.

The Farm Credit Act established the Farm Credit System Insurance Corporation (FCSIC or the Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). By law, the Insurance Fund is required to be used for:

- Insuring the timely payment of principal and interest on Systemwide debt obligations,
- Insuring the retirement of protected stock at par or stated value and
- Other specified purposes.

The Insurance Fund is also available for discretionary use by the Insurance Corporation in providing assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. Each System bank is required to pay premiums, which may be passed on as an expense to the associations, into the Insurance Fund until the assets in the Insurance Fund equal 2 percent (the secure base amount) of the aggregate insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. The percentage of aggregate obligations can be changed by the Insurance Corporation, at its sole discretion, to a percentage it determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums and/or it may also return excess funds above the secure base amount to the System institutions. The basis for assessing premiums is insured debt outstanding. Nonaccrual loans are assessed a surcharge, while guaranteed loans are deductions from the premium base. CoBank passes this premium expense and the return of excess funds, as applicable, through to each association based on the association’s average adjusted note payable balance with CoBank.

Merger Activity

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

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

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

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

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

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

Business combination adjustments to Farm Credit West's assets included a $630.1 million net business combination discount to gross loans. With the adoption of the current expected credit losses methodology (CECL), loans acquired in a business combination that have experienced more-than-insignificant deterioration in credit quality since origination are considered purchased with credit deterioration (PCD). At the acquisition date, an estimate of expected credit losses was made for PCD loans of $18.6 million. This initial allowance for credit losses (ACL) is allocated to individual PCD loans and added to the purchase price or acquisition date fair values to establish the initial amortized cost basis of the PCD loans. As the initial ACL is added to the purchase price, there is no provision for credit losses recognized upon acquisition of a PCD loan. For acquired loans not deemed PCD at acquisition, the differences between the initial fair value and the unpaid principal balance are recognized as interest income over the lives of the related loans. For the year ended December 31, 2023, $122.4 million of loan net business combination discounts were accreted to interest income. An ACL was estimated and $53.7 million was recorded as a provision for credit losses on non-PCD loans in the first quarter of 2023. Also included in the business combination adjustments was a discount to investment securities of $77.6 million to reflect fair value. This difference is being accreted into interest income over the remaining life of each securities' contractual maturity. For the year ended December 31, 2023, $21.3 million of investment securities business combination discounts were accreted to interest income. Fair value adjustments to Farm Credit West's liabilities included $403.2 million net business combination discounts to the Note payable to CoBank, ACB to reflect changes in interest rates and other market conditions since the time these instruments were issued. These differences are being amortized into interest expense over the remaining lives of the debt instruments. For the year ended December 31, 2023, $99.8 million of net debt business combination discounts were amortized to interest expense.

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

Operations

The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow and financially-related services that AgWest can offer. AgWest is authorized to provide, either directly or in participation with other lenders, credit, commitments to extend credit and related services to eligible customers. Eligible customers include farmers, ranchers, producers or harvesters of aquatic and forest products, rural residents and farm-related businesses.

AgWest also serves as an intermediary in offering federal multi-peril crop insurance programs, including the Whole-Farm Revenue Protection (WFRP) program and named peril/crop hail insurance. Additionally, AgWest offers services to customers such as fee appraisals, business management education and planning services.

AgWest, along with other System institutions, is a partial owner in AgDirect, LLP (AgDirect), a trade credit financing program that includes origination and re-financing of agricultural equipment loans through independent equipment dealers. The program is facilitated by a limited liability partnership and at December 31, 2023, AgWest owned approximately 15 percent of AgDirect.

AgWest, along with other System institutions, is part of an alliance that provide financing for agribusiness companies under the trade name ProPartners Financial (ProPartners). ProPartners participates with crop input suppliers nationwide to create financing programs for their customers. To fund the financing through the ProPartners alliance, AgWest owns stock in AgriBank, FCB (AgriBank) and as part of the agreement with AgriBank, AgWest invests in AgriBank at a level agreed upon and generally based on the budgeted average daily balances of sold loan volume to AgriBank related to ProPartners.

The financial condition and results of operations of CoBank, may materially affect the risk associated with stockholder investments in AgWest. The CoBank Annual Report is available free of charge on CoBank's website, www.cobank.com. Upon request, stockholders of AgWest will be provided with a copy of the CoBank Annual Report, which discusses the material aspects of its financial condition, changes in financial condition and results of operations.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The consolidated financial statements (the financial statements) of AgWest have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the financial services industry. In consolidation, all significant intercompany accounts and transactions are eliminated and all material wholly-owned and majority-owned subsidiaries are consolidated unless GAAP requires otherwise.

Change in Accounting Policy

Amounts in prior years have been restated due to a change in accounting policy for certain legacy pension plans. The change in accounting policy is to a preferred methodology in which the actuarial gain/loss is recognized each year as a component of Salaries and employee benefits expense as compared to the previous method which deferred the actuarial gains and losses through Accumulated other comprehensive loss. The change in accounting policy required retrospective accounting under GAAP. Net income and members' equity for each year presented reflect this change.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, the valuation of deferred tax assets, the determination of fair value of financial instruments and subsequent impairment analysis. Significant estimates are discussed in the footnotes, as applicable.

Reclassifications

Certain amounts in prior years' consolidated financial statements have been reclassified to conform to current year's financial statement presentation.

Significant Accounting Policies

Business Combinations

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

Cash

Cash, as included in the financial statements, represents cash on hand and on deposit at financial institutions and may, at times, exceed federally insured limits.

Loans

Long-term real estate mortgage loans may have original maturities ranging up to 40 years, although the typical loan is 30 years or less. Short- and intermediate-term loans for agricultural production or operating purposes generally have maturities of 10 years or less. Loans are generally carried at their principal amount outstanding adjusted for net business combination discounts, deferred loan fees or costs and charge-offs. Loan origination fees and direct loan origination costs are capitalized, and the net fee or cost is amortized over the life of the related loan as an adjustment to yield. These deferred origination costs are periodically evaluated. Loan prepayment fees are reported in Other noninterest income. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. The total balance of unamortized net business combination discounts, fees and costs, recognized as an offset to Loans on the Consolidated Balance Sheets, were $549.5 million, $36.0 million and $28.5 million as of December 31, 2023, 2022 and 2021, respectively.

AgWest purchases loan and lease participations from other entities to generate additional earnings and diversify risk related to existing commodities financed and the geographic areas served. Additionally, AgWest sells a portion of certain large loans to other entities to reduce risk and comply with established lending limits. Loans are sold following accounting requirements for sales treatment.

Except as otherwise noted, direct financing leases in which AgWest is the lessor are included with loans in the consolidated financial statements and related notes. Unearned finance income from these lease contracts represents the excess of gross lease receivables over the cost of leased equipment, net of estimated residual values. Residual values, which are reviewed at least annually, represent the estimated value to be received at lease termination from the disposition of leased assets. Net unearned finance income is amortized to interest income using the effective interest method.

Allowance for Credit Losses

The ACL is comprised of the allowance for loan losses (ALL) and the reserve for unfunded lending commitments, which is presented on the Consolidated Balance Sheets in Other liabilities. The ALL is increased through provisions for loan losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. The reserve for unfunded lending commitments is increased through provisions for unfunded lending commitments and is decreased through reversals of provisions for unfunded lending commitments.

Beginning January 1, 2023, the ACL represents the estimated current expected credit losses over the remaining contractual life of financial assets measured at amortized cost and certain off-balance sheet credit exposures. The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are not unconditionally cancellable.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio, considering macroeconomic conditions, forecasts and other factors prevailing at the time, may result in significant changes in the ACL in those future periods.

The methodology for the ACL represents management's estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, excluding net deferred fees and costs, applicable accrued interest and net business combination discounts.

AgWest has adopted the practical expedient in CECL to exclude accrued interest from its ACL measurement when it is reversed or charged-off in a timely manner. AgWest has determined that its nonaccrual policies provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected. The estimate of the ACL involves a high degree of judgment; therefore, the process for determining expected credit losses may result in a range of expected credit losses. The ACL recorded on the Consolidated Balance Sheets reflects management's best estimate within the range of expected credit losses.

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

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

In estimating the second component of the ACL that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics generally include loan type, commodity or industry and credit quality rating. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the exposure at default, the probability of default based on the migration of loans from performing to default using historical life-of-loan analysis periods for loan types, and the severity of loss, such as loss given default, based on the aggregate net lifetime losses incurred per loan pool. Prepayment rate assumptions are used within the methodology.

This component of the ACL also considers factors for each loan pool to adjust for differences between the historical period used to calculate historical default and loss severity rates and expected conditions over the remaining lives of the loans in the portfolio related to various factors and involving management judgment of economic conditions and variables used.

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

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

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

Prior to January 1, 2023, the ALL was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio and utilized a two-dimensional loan risk rating model based on internally generated combined System risk rating guidance that incorporated the 14-point scale to identify and track the probability of borrower default and a separate scale addressing loss given default. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors were considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition and prior loan loss experience. The ACL encompassed various judgments, evaluations and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations and appraisals to change over time. Similar to the current ACL model, the prior incurred methodology included components for loans individually evaluated for impairment and loans collectively evaluated for impairment. Generally, for those loans collectively evaluated for impairment, the ALL was based on the factors outlined above. For those loans individually evaluated, the ALL represented the difference between the recorded investment in the loan and the present value of the cash flows expected to be collected, discounted at the loan's effective interest rate, or at the fair value of the collateral, if the loan is collateral dependent.

Nonaccrual Loans

Nonaccrual loans are loans for which there is reasonable doubt that all principal and interest will be collected according to the original contractual terms and are generally considered substandard or doubtful, which is in accordance with the loan risk rating model. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is modified or until the entire amount past due, including principal, accrued interest, and penalty interest incurred as the result of past due status, is collected or otherwise discharged in full.

Loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection) or when circumstances indicate that collection of principal and interest is in doubt or legal action, including foreclosure or other forms of collateral conveyance, has been initiated to collect the outstanding principal and interest. At the time a loan is placed in nonaccrual status, accrued interest that is considered uncollectible is reversed (if accrued in the current year) or charged against the allowance for loan losses (if accrued in prior years). Loans are charged-off at the time they are determined to be uncollectible.

When loans are in nonaccrual status, payments received are generally applied against the recorded investment in the loan asset. Interest payments received in cash may be recognized as interest income if the collectability of the loan principal is fully expected and certain other criteria are met. Nonaccrual loans are returned to accrual status if all contractual principal and interest is current, the borrower is expected to fulfill the contractual repayments terms and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make payments on time. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

Nonaccrual loans are considered by AgWest to be collateral-dependent loans, which are loans secured by collateral, including but not limited to agricultural real estate, crop inventory, equipment and livestock. CECL requires AgWest to measure the expected credit losses of these loans based on fair value of the collateral at the reporting date when it determines that foreclosure is probable. Additionally, CECL allows a fair value practical expedient as a measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulties. Under the practical expedient measurement approach, the expected credit losses are based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan. AgWest has considered potential future changes in collateral value, historical loss experience, and reasonable and supportable forecasts for financial assets that were secured by similar collateral.

Nonperforming Loans

Nonperforming loans consist of nonaccrual loans and accrual loans more than 90 days past due. Prior to January 1, 2023, nonperforming loans also included restructured accrual loans.

Loan Modifications to Borrowers Experiencing Financial Difficulty

Loan modifications may be granted to borrowers experiencing financial difficulty. Modifications can be in the form of one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant payment delay or a term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. AgWest has identified those loans modified to a borrower experiencing financial difficulties for the purpose of disclosure.

Troubled Debt Restructure

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

Loans Acquired in Merger

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

Reserve for Unfunded Commitments

Beginning January 1, 2023, AgWest evaluates a reserve for unfunded commitments under CECL. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the institution and applying the loss factors used in the ACL methodology to the results of the usage calculation.

Prior to January 1, 2023, the reserve for unfunded lending commitments was based on management's best estimate of losses inherent in lending commitments made to customers but not yet disbursed. For additional ACL information, refer to Note 4.

Investment Securities

In accordance with FCA regulations, AgWest, with the approval of CoBank, may purchase and hold investments to manage risks. AgWest must identify and evaluate how the investments contribute to managing risk. Only securities issued or unconditionally guaranteed or insured as to the timely payment of principal and interest by the United States Government or its agencies may be purchased by AgWest. The total amount of investments held must not exceed 10 percent of AgWest's total outstanding loans.

The investments may not necessarily be held to maturity and accordingly 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 loss).

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

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

Available-for-sale debt securities in unrealized loss positions are evaluated for impairment related to credit losses at least quarterly. For available-for-sale debt securities, a decline in fair value due to estimated credit loss results in recording an ACL to the extent the fair value is less than the amortized cost basis. Declines in fair value which are due to changes in market interest rates are recorded through other comprehensive income (loss). If AgWest intends to sell an impaired debt security or is more likely than not to be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the security is written down to its fair value and the write down is charged against the ACL with an incremental impairment reported in earnings. For additional information, refer to Note 3.

Investment in CoBank, ACB

AgWest's investment in CoBank is in the form of Class A common stock. For 2023 and 2022, the minimum required investment is 3 percent of AgWest's prior one-year trailing average direct loan balance. For 2021, the minimum required investment was 4 percent of AgWest's prior five-year trailing average direct loan balance. In addition, AgWest is required to capitalize its patronage-based participation loans sold to CoBank at 7 percent of AgWest's prior ten-year average balance of such participations sold to CoBank. The Investment in CoBank, ACB is composed of purchased stock and stock received as patronage. Accounting for this investment is on the cost plus allocated equities basis. AgWest owned approximately 20 percent of the outstanding common stock of CoBank at December 31, 2023. For additional information, refer to Note 5.

Patronage Receivable

AgWest records patronage receivables on an accrual basis related to patronage from CoBank as well as patronage for participations sold to other System entities. The majority of the Patronage receivable balance is due from CoBank. Under the current CoBank capital plan, it distributes patronage from AgWest direct lending business in cash. For patronage applicable to participations sold to CoBank, patronage is distributed in 75 percent cash and 25 percent CoBank Class A stock. For additional information, refer to Note 5.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows: buildings are depreciated over 40 years; leasehold improvements are depreciated over the lesser of the remaining lease term or 10 years; and furniture and equipment are depreciated over one to seven years. Land is carried at cost and is not depreciated. Gains and losses on dispositions are reflected in Other noninterest income on the Consolidated Statements of Income and Comprehensive Income. Maintenance and repairs are charged to Occupancy and equipment expense and significant improvements are capitalized. For additional information, refer to Note 6.

Leases

For agreements in which AgWest may be the lessee, AgWest determines if an arrangement is a lease at inception. Operating lease right-of-use (ROU) assets are included in Other assets and operating lease liabilities are included in Other liabilities on the Consolidated Balance Sheets. Finance lease ROU assets are included in Premises and equipment, net, and finance lease liabilities are included in Advance conditional payments and other interest bearing liabilities on the Consolidated Balance Sheets.

ROU assets represent AgWest's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, AgWest generally uses the incremental borrowing rate based on the estimated rate of interest for a collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. AgWest's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Advanced Conditional Payments

AgWest is authorized under the Farm Credit Act to accept advance payments from borrowers, which are classified within Advance conditional payments and other interest bearing liabilities on the Consolidated Balance Sheets. Advanced conditional payments are not insured. Interest is generally paid by AgWest on advance conditional payments.

Patronage Payable

AgWest records estimated patronage distributions on an accrual basis. Cash patronage is allocated among customer-members based on their eligible average daily loan balance and is distributed in the first quarter for the previous calendar year’s activity.

Employee Benefit Plans

Substantially all employees of AgWest participate in the Farm Credit Foundations Defined Contribution/401(k) Retirement Plan (Defined Contribution Plan). The Defined Contribution Plan has two components. In this plan, AgWest provides a monthly contribution based on a defined percentage of the employee's salary. Employees may also defer a portion of their salaries in accordance with Section 401(k) of the Internal Revenue Code (IRC) to which AgWest matches a certain percentage of employee contributions. Defined contribution costs are expensed in the same period that participants earn employer contributions and employer matching costs are expensed as funded.

AgWest also has certain employees that participate in the Defined Benefit Pension Plan (legacy Northwest FCS Pension Plan (Pension Plan)) or the Eleventh District Defined Benefit Retirement Plan (legacy Farm Credit West multi-employer Defined Benefit Plan (Defined Benefit Plan)). In addition, there is a legacy Farm Credit West Nonqualified Pension Restoration Plan (NQ Pension Plan). Enrollment in the Pension Plan was curtailed in 1994. Existing employees who elected to transfer out of the Pension Plan and all new employees hired after December 31, 1994, participate in the Defined Contribution Plan. The Defined Benefit Plan was closed to future employees and current employees not yet vested on December 31, 1997.

All pension plans are noncontributory plans. Benefits are based on compensation and years of service. The pension plans use the "Projected Unit Credit" actuarial method for financial reporting and funding purposes. AgWest recognizes its proportional share of expense and contributes its proportional share of funding to the Defined Benefit Plan. In 2023, the Pension Plan and NQ Pension Plan adopted a change in accounting policy to a mark to market methodology. This change was to a preferred method in which the actuarial gain/loss is recognized each year as a component of Salaries and employee benefits expense as compared to the previous method which deferred the actuarial gains and losses through Accumulated other comprehensive loss.

The NQ Pension Plan provides retirement benefits above the IRC compensation and benefit limits to certain highly-compensated eligible employees. Benefits payable under this plan supplement a participant's benefits under the Defined Benefit Plan to the extent benefits are reduced by IRC limitations. The NQ Pension Plan was closed to future employees and current employees not yet vested at December 31, 1997.

Certain eligible employees may also participate in a nonqualified deferred compensation plan (NQDC Plan) where they are able to defer a portion of their compensation. AgWest matches a certain percentage of employee contributions to the plan. NQDC Plan costs are expensed in the same period that employer matching contributions are funded. The NQDC Plan is included in Other assets and Other liabilities. For additional information, refer to Note 10.

Income Taxes

As previously described, AgWest Farm Credit, ACA conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are operated through a wholly-owned FLCA subsidiary that is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through a wholly-owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax.

Effective January 1, 2023, AgWest FLCA began charging AgWest ACA and AgWest PCA a management fee equal to 100 percent of the ACA's and PCA's allocable share, as determined by a cost study analysis, of the actual non-interest expenses incurred by the FLCA in providing services. In prior years, non-interest costs were allocated between the ACA, FLCA and PCA at the account level through general ledger allocation percentages determined by a cost study analysis. Transactions between the subsidiaries and the parent company have been eliminated upon consolidation. The ACA, along with the PCA subsidiary, are subject to federal income taxes and state income taxes in Alaska, Arizona, California, Idaho, Montana and Oregon. Both entities currently operate as cooperatives that qualify for tax treatment under Subchapter T of the IRC. Accordingly, under specified conditions, they can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provision for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. AgWest accounts for income taxes under the liability method. Accordingly, deferred taxes are recognized for estimated taxes ultimately payable or recoverable based on federal and state laws. For additional information, refer to Note 9.

Deferred taxes are recorded on temporary differences based on the assumption such temporary differences are retained by AgWest and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent it is more likely than not (over 50 percent probability) they will not be realized, based on management's estimate. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of AgWest's expected qualified patronage refunds that reduce taxable earnings.

Deferred income taxes have not been provided by AgWest on stock patronage distributions received from CoBank prior to January 1, 1993, the adoption date of the FASB guidance on income taxes. Management's intent is to permanently invest these and other undistributed earnings in CoBank, or if converted to cash, to pass through any distribution related to pre-1993 earnings to AgWest's stockholders through qualified patronage allocations.

AgWest has not provided deferred income taxes on amounts allocated to AgWest that relate to CoBank's post-1992 earnings to the extent that such earnings will be passed through to certain stockholders through qualified patronage allocations. Additionally, deferred income taxes have not been provided on CoBank's post-1992 unallocated earnings. CoBank currently has no plans to distribute unallocated earnings and does not contemplate circumstances that, if distributions were made, would result in taxes being paid by AgWest.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) is a measure of all changes in the equity of AgWest as a result of recognized transactions and other economic events of the period other than capital transactions with the stockholders. Other comprehensive income (loss) refers to revenue, expenses, gains and losses that under GAAP are recorded as an element of members' equity and comprehensive income (loss) but are excluded from net income. Accumulated other comprehensive income (loss) refers to the balance of these transactions. Other comprehensive income (loss) is primarily composed of adjustments related to AgWest's investment securities. For additional information, refer to Note 8.

Fair Value Measurements

Accounting guidance defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include: (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (3) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (4) inputs derived principally from or corroborated by observable market data by correlation or other means. This category includes derivative contracts and investment securities.

Level 3 – Unobservable inputs are those that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own assumptions about factors that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category includes nonaccrual loans and Rural Business Investment Corporations (RBICs).

The fair value disclosures are presented in Note 13.

Derivative Instruments and Hedging Activity

In the normal course of business, AgWest enters into derivative financial instruments that are principally used to manage liquidity and interest rate risk. Derivatives are recorded at fair value on the Consolidated Balance Sheets as Other assets and Other liabilities.

For fair value hedge transactions that hedge changes in the fair value of assets or liabilities, changes in the fair value of the derivative are recorded in earnings and will generally be offset by changes in the hedged item's fair value. For derivatives not designated for hedge accounting, the related change in fair value is recorded in current period earnings.

AgWest formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking hedge transactions. This process includes linking all derivatives that are designated as fair value hedges to specific assets or liabilities on the Consolidated Balance Sheets. AgWest also formally assesses (at the hedge's inception and on an ongoing basis) whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the fair value of hedged items and whether those derivatives may be expected to remain highly effective in future periods. AgWest typically uses regression analyses to assess the effectiveness of hedges. Hedge accounting is discontinued prospectively if: (1) it is determined that the derivative is no longer effective in offsetting changes in the fair value of a hedged item; (2) the derivative expires or is sold, terminated or exercised; or (3) management determines that the fair value or cash flow hedge designation is no longer appropriate.

If it is determined that a derivative no longer qualifies as an effective fair value hedge, or if management removes the hedge designation, AgWest continues to carry the derivative in the balance sheet at fair value, with changes in fair value recognized in current period earnings as part of Interest expense. For additional information, refer to Note 15.

Off-Balance Sheet Credit Exposures

Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and a third party. Standby letters of credit are irrevocable agreements to guarantee payments of specified obligations. The credit risk associated with commitments to extend credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

Recently Issued or Adopted Accounting Pronouncements

In March 2020, the FASB issued guidance entitled Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Reference Rate Reform), which provided optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform to ease the potential burden related to reference rate reform (transition away from the London Inter-Bank Offered Rate (LIBOR)). With respect to hedge accounting, the guidance allowed amendment of formal designation and documentation of hedging relationships in certain circumstances, as a result of reference rate reform and provided additional expedients for different types of hedges, if certain criteria were met. In December 2022, the FASB issued an update entitled Reference Rate Reform - Deferral of the Sunset Date of Topic 848. The amendments in the current update defer the sunset date from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief. AgWest was not materially impacted by the adoption of this guidance or its amendments.

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

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

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

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

Note 3 – Investment Securities

Investment balances are carried at fair value. See Note 1 for information regarding investments acquired through merger.

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

	U.S. Treasury debt securities				
	Amortized cost	*Gross unrealized gains*	*Gross unrealized losses*	*Fair value*	*Weighted average yield*
December 31, 2023	$ 1,798,649	$ 4,872	$ (26,974)	$ 1,776,547	2.66 %
December 31, 2022	$ 643,350	$ 72	$ (37,079)	$ 606,343	1.69 %
December 31, 2021	$ 426,012	$ 591	$ (4,302)	$ 422,301	0.65 %

A summary of amortized cost, fair value and weighted average yield of investment securities by contractual maturity at December 31, 2023 follows:

	Contractual Maturity			
December 31, 2023	*In one year or less*	*One to five years*	*Five to ten years*	*Total*
U.S. Treasury debt securities				
Amortized cost	$ 362,718	$ 1,041,071	$ 394,860	$ 1,798,649
Fair value	$ 359,260	$ 1,022,964	$ 394,323	$ 1,776,547
Weighted average yield	**2.00%**	**2.46%**	**3.84%**	**2.66%**

See Note 13 for disclosures about estimated fair values of financial instruments, including investments.

The following table shows gross unrealized losses and fair value, aggregated by the length of time the securities had been in a continuous unrealized loss position. The length of continuous loss position is based on the date the unrealized loss was first identified.

	Less than 12 months		*Greater than 12 months*	
	Fair value	*Unrealized losses*	*Fair value*	*Unrealized losses*
December 31, 2023	$ 583,605	$ (4,386)	$ 434,403	$ (22,588)
December 31, 2022	$ 213,465	$ (6,646)	$ 354,165	$ (30,433)
December 31, 2021	$ 376,904	$ (4,302)	$ —	$ —

As of December 31, 2023, AgWest expects to collect all principal and interest on its Investment securities. AgWest does not intend to sell the securities in unrealized loss positions, nor is it likely that AgWest will be required to sell such securities, for regulatory, liquidity or other purposes, before an anticipated recovery of its cost basis occurs.

Note 4 – Loans and Allowance for Credit Losses

Loan balances are generally carried at their principal amount outstanding, adjusted for net business combination discounts, deferred loan fees net of costs and charge-offs. As of December 31, 2023, the remaining net business combination discounts were $507.7 million. See Note 1 for information regarding loans acquired through merger. A summary of loans follows:

December 31,	*2023*	*2022*	*2021*
Real estate mortgage	$ 13,999,394	$ 7,106,419	$ 6,926,476
Production and intermediate-term	7,468,450	3,512,706	3,286,345
Agribusiness	5,578,235	2,757,504	2,404,311
Rural infrastructure	1,570,620	564,667	545,149
Rural residential real estate	230,837	283,484	338,374
Financing leases	217,091	64,464	71,937
Other	123,918	41,363	38,127
Total loans	**$ 29,188,545**	**$ 14,330,607**	**$ 13,610,719**

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

Participations purchased volume in the tables exclude syndications:

	Farm Credit institutions		*Non-Farm Credit institutions*		*Total*	
December 31, 2023	*Participations purchased*	*Participations sold*	*Participations purchased*	*Participations sold*	*Participations purchased*	*Participations sold*
Real estate mortgage	$ 817,834	$ 2,667,028	$ —	$ —	$ 817,834	$ 2,667,028
Production and intermediate-term	1,383,222	4,370,740	—	—	1,383,222	4,370,740
Agribusiness	2,096,109	1,901,840	2,285	—	2,098,394	1,901,840
Rural infrastructure	1,570,620	—	—	—	1,570,620	—
Financing leases	57,659	20,571	—	—	57,659	20,571
Other	90,053	—	32,134	—	122,187	—
Total	**$ 6,015,497**	**$ 8,960,179**	**$ 34,419**	**$ —**	**$ 6,049,916**	**$ 8,960,179**

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

	Farm Credit institutions		*Non-Farm Credit institutions*		*Total*	
December 31, 2021	*Participations purchased*	*Participations sold*	*Participations purchased*	*Participations sold*	*Participations purchased*	*Participations sold*
Real estate mortgage	$ 628,320	$ 694,485	$ —	$ —	$ 628,320	$ 694,485
Production and intermediate-term	658,433	3,480,621	10	—	658,443	3,480,621
Agribusiness	1,101,912	1,015,247	2,462	5,000	1,104,374	1,020,247
Rural infrastructure	545,149	—	—	—	545,149	—
Financing leases	71,937	—	—	—	71,937	—
Other	29,950	—	—	—	29,950	—
Total	**$ 3,035,701**	**$ 5,190,353**	**$ 2,472**	**$ 5,000**	**$ 3,038,173**	**$ 5,195,353**

Credit Quality

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in AgWest's outstanding loans, letters of credit and unfunded loan commitments. AgWest manages credit risk associated with lending activities through an analysis of the credit risk profile of an individual borrower using its own set of underwriting standards and lending policies, approved by its board of directors, which provides direction to its lending staff.

The credit risk management process begins with an analysis of the borrower's credit history and, among other factors, includes the following:

- Character – borrower integrity, credit history and management capabilities,
- Capital – ability of the operation to survive unanticipated risks and support growth,
- Capacity – repayment capacity of the borrower based on cash flows from operations or other sources of income,
- Collateral – lender protection in the event of default and also to serve as a secondary source of loan repayment and,
- Conditions – intended use of the loan funds, terms and restrictions.

Differential analysis is applied to various loan requests based on the overall risk of the request in relation to the association's risk-bearing capacity.

AgWest uses a two-dimensional loan risk rating model based on internally generated combined Farm Credit System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default in the next 12 months and a separate scale addressing loss given default, defined as the economic loss the association would expect to have in a default event. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified as nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. AgWest generally reviews the probability of default category on an annual basis or when a credit action is taken.

AgWest classifies loans according to the FCA Uniform Loan Classification System (UCS). Each of the probability of default categories carries a distinct percentage of default probability. The probability of default rate between one and nine of the acceptable categories is very narrow and would reflect almost no default to a minimal default percentage. The probability of default rate grows more rapidly as a loan moves from acceptable to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain. The following are definitions of the five UCS classifications:

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

The following tables show loans classified under the UCS as a percentage of total loans by loan type:

December 31, 2023	*Acceptable*	*OAEM*	*Substandard/ doubtful*	*Total*
Real estate mortgage	92.1 %	4.7 %	3.2 %	100.0 %
Production and intermediate-term	89.6 %	5.4 %	5.0 %	100.0 %
Agribusiness	94.2 %	3.2 %	2.6 %	100.0 %
Rural infrastructure	96.0 %	4.0 %	0.0 %	100.0 %
Rural residential real estate	97.5 %	0.7 %	1.8 %	100.0 %
Financing leases	86.7 %	7.5 %	5.8 %	100.0 %
Other	100.0 %	0.0 %	0.0 %	100.0 %
Total	**92.1 %**	**4.5 %**	**3.4 %**	**100.0 %**

December 31, 2022[1]	*Acceptable*	*OAEM*	*Substandard/ doubtful*	*Total*
Real estate mortgage	97.0 %	1.5 %	1.5 %	100.0 %
Production and intermediate-term	94.2 %	2.6 %	3.2 %	100.0 %
Agribusiness	96.4 %	3.0 %	0.6 %	100.0 %
Rural infrastructure	99.6 %	0.0 %	0.4 %	100.0 %
Rural residential real estate	97.4 %	0.9 %	1.7 %	100.0 %
Financing leases	96.9 %	0.5 %	2.6 %	100.0 %
Other	100.0 %	0.0 %	0.0 %	100.0 %
Total	**96.3 %**	**2.0 %**	**1.7 %**	**100.0 %**

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

December 31, 2021[1]	*Acceptable*	*OAEM*	*Substandard/ doubtful*	*Total*
Real estate mortgage	96.7 %	1.8 %	1.5 %	100.0 %
Production and intermediate-term	94.0 %	2.7 %	3.3 %	100.0 %
Agribusiness	97.4 %	2.4 %	0.2 %	100.0 %
Rural infrastructure	98.5 %	0.0 %	1.5 %	100.0 %
Rural residential real estate	96.8 %	0.9 %	2.3 %	100.0 %
Financing leases	95.3 %	0.6 %	4.1 %	100.0 %
Other	100.0 %	0.0 %	0.0 %	100.0 %
Total	**96.3 %**	**2.0 %**	**1.7 %**	**100.0 %**

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

At December 31, 2023, nonperforming assets consist of nonaccrual loans and accruing loans 90 days or more past due, net of business combination discounts, and other property owned and are presented in the following table:

December 31,		*2023*
Nonaccrual loans:		
Real estate mortgage	$	64,097
Production and intermediate-term		73,611
Agribusiness		319
Rural residential real estate		1,294
Financing leases		26
Total nonaccrual loans	**$**	**139,347**
Accrual loans 90 days or more past due:		
Real estate mortgage	$	833
Production and intermediate-term		3,648
Agribusiness		1,163
Total accrual loans 90 days or more past due	**$**	**5,644**
Total nonperforming loans	**$**	**144,991**
Other property owned		12,124
Total nonperforming assets	**$**	**157,115**

At December 31, 2023, commitments to lend additional funds to borrowers whose loans were classified as nonperforming totaled $6.0 million.

Prior to January 1, 2023, nonperforming assets consisted of nonaccrual loans, restructured accrual loans, accrual loans 90 days or more past due and other property owned. The following table presents these nonperforming assets, including related accrued interest where applicable:

December 31,		*2022*		*2021*
Nonaccrual loans:				
Real estate mortgage	$	17,547	$	20,787
Production and intermediate-term		25,838		18,837
Agribusiness		145		333
Rural infrastructure		2,157		7,999
Rural residential real estate		1,045		1,482
Financing leases		—		88
Total nonaccrual loans	**$**	**46,732**	**$**	**49,526**
Restructured accrual loans:				
Real estate mortgage	$	729	$	1,133
Production and intermediate-term		589		2,992
Rural residential real estate		725		839
Total accruing restructured loans	**$**	**2,043**	**$**	**4,964**
Accrual loans 90 days or more past due:				
Real estate mortgage	$	348	$	—
Production and intermediate-term		276		2,782
Rural residential real estate		178		—
Total accrual loans 90 days or more past due	**$**	**802**	**$**	**2,782**
Total nonperforming loans	**$**	**49,577**	**$**	**57,272**
Other property owned		—		—
Total nonperforming assets	**$**	**49,577**	**$**	**57,272**

There were no commitments to lend additional funds to borrowers whose loans were classified as nonperforming at December 31, 2022 and 2021.

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

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

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

December 31, 2023	*Amortized cost with allowance*	*Amortized cost without allowance*	*Total amortized cost*	*Interest income recognized*
Nonaccrual loans				
Real estate mortgage	$ 229	$ 63,868	$ 64,097	$ 16,192
Production and intermediate-term	68,081	5,530	73,611	8,327
Agribusiness	205	114	319	2,516
Rural residential real estate	—	1,294	1,294	87
Financing leases	26	—	26	—
Total nonaccrual loans	**$ 68,541**	**$ 70,806**	**$ 139,347**	**$ 27,122**

Included in interest income recognized in the table above is $16.7 million of accretion related to net business combination discounts assessed on nonaccrual loans amortized into interest income in 2023.

Prior to January 1, 2023 and the adoption of CECL, additional nonperforming loan information, including related accrued interest where applicable, is as follows:

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

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

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

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

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

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

Interest income recognized and cash payments received on nonaccrual loans are applied as described in Note 2. Interest income on nonaccrual loans that would have been recognized under the original loan terms were as follows:

Year ended December 31,	2023	2022[1]	2021[1]
Interest income which would have been recognized under the original loan terms	$ 13,989	$ 3,170	$ 3,208
Less: interest income recognized	(10,382)	(1,975)	(2,492)
Foregone interest income	**$ 3,607**	**$ 1,195**	**$ 716**

[1] Prior to January 1, 2023, balances included accruing restructured loans.

The following table presents interest income recognized on nonperforming loans prior to the adoption of CECL on January 1, 2023:

Year ended December 31,	2022	2021
Interest income recognized on:		
Nonaccrual loans	$ 1,764	$ 2,079
Restructured accrual loans	211	413
Accrual loans 90 days or more past due	180	203
Interest income recognized on nonperforming loans	**$ 2,155**	**$ 2,695**

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

December 31, 2023	Current loans	30-89 days past due	90+ days past due	Total past due	Total loans	Loans >90 days and accruing
Real estate mortgage	$ 13,930,236	$ 45,270	$ 23,888	$ 69,158	$ 13,999,394	$ 833
Production and intermediate-term	7,364,705	69,004	34,741	103,745	7,468,450	3,648
Agribusiness	5,564,058	12,695	1,482	14,177	5,578,235	1,163
Rural infrastructure	1,570,620	—	—	—	1,570,620	—
Rural residential real estate	229,492	1,015	330	1,345	230,837	—
Financing leases	217,013	—	78	78	217,091	—
Other	123,918	—	—	—	123,918	—
Total	**$ 29,000,042**	**$ 127,984**	**$ 60,519**	**$ 188,503**	**$ 29,188,545**	**$ 5,644**

December 31, 2022 [1]	Current loans	30-89 days past due	90+ days past due	Total past due	Recorded investment in loans outstanding	Recorded investment >90 days and accruing interest
Real estate mortgage	$ 7,175,560	$ 12,669	$ 11,672	$ 24,341	$ 7,199,901	$ 348
Production and intermediate-term	3,510,744	5,025	24,905	29,930	3,540,674	276
Agribusiness	2,768,698	2,932	—	2,932	2,771,630	—
Rural infrastructure	566,049	—	—	—	566,049	—
Rural residential real estate	281,909	2,336	178	2,514	284,423	178
Financing leases	64,769	24	—	24	64,793	—
Other	41,594	—	—	—	41,594	—
Total	**$ 14,409,323**	**$ 22,986**	**$ 36,755**	**$ 59,741**	**$ 14,469,064**	**$ 802**

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

December 31, 2021 [1]	Current loans	30-89 days past due	90+ days past due	Total past due	Recorded investment in loans outstanding	Recorded investment >90 days and accruing interest
Real estate mortgage	$ 6,953,326	$ 44,080	$ 5,991	$ 50,071	$ 7,003,397	$ —
Production and intermediate-term	3,270,717	21,649	9,575	31,224	3,301,941	2,782
Agribusiness	2,407,490	3,791	—	3,791	2,411,281	—
Rural infrastructure	538,350	—	7,999	7,999	546,349	—
Rural residential real estate	338,884	480	—	480	339,364	—
Financing leases	72,175	88	—	88	72,263	—
Other	38,202	—	—	—	38,202	—
Total	**$ 13,619,144**	**$ 70,088**	**$ 23,565**	**$ 93,653**	**$ 13,712,797**	**$ 2,782**

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

Loan Modifications to Borrowers Experiencing Financial Difficulty

Upon the adoption of the guidance, Financial Instruments - Credit Losses, Troubled Debt Restructurings and Vintage Disclosure, creditors are required to disclose specific modifications with borrowers that are experiencing financial difficulty.

The following table shows the amortized cost basis at the end of the reporting period for loan modifications granted to borrowers experiencing financial difficulty, disaggregated by loan type and type of modification granted:

December 31, 2023	Term extension	Payment deferral	Interest rate reduction and term extension	Term extension and payment deferral	Total	Modification as a percentage of loan class
Real estate mortgage	$ 2,859	$ 51,959	$ —	$ 178	$ 54,996	0.4 %
Production and intermediate-term	77,331	2,787	10,104	528	90,750	1.2 %
Agribusiness	21,097	1,456	—	—	22,553	0.4 %
Total	**$ 101,287**	**$ 56,202**	**$ 10,104**	**$ 706**	**$ 168,299**	**0.6 %**

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of December 31, 2023, was $7.6 million.

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

Year ended December 31, 2023	Weighted average interest rate pre-modification	Weighted average interest rate post-modification	Weighted average term extensions (months)	Weighted average payments deferred (months)
Real estate mortgage	— %	— %	11	52
Production and intermediate-term	7.55 %	7.47 %	13	12
Agribusiness	— %	— %	7	168

The following table presents an aging analysis of loans to borrowers experiencing financial difficulty that were modified on or after January 1, 2023, through December 31, 2023:

	Current loans	30-89 days past due	90+ days past due
Real estate mortgage	$ 48,498	$ 6,498	$ —
Production and intermediate-term	71,167	19,433	150
Agribusiness	22,553	—	—
Total	**$ 142,218**	**$ 25,931**	**$ 150**

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified were $36.4 million at December 31, 2023.

Troubled Debt Restructurings

Prior to the adoption of CECL on January 1, 2023, a restructuring of a debt constituted a troubled debt restructuring (TDR) if the creditor, for economic or legal reasons related to the debtor's financial difficulties, granted a concession to the debtor that it would not otherwise consider.

The following table presents additional information regarding TDRs:

Year ended December 31,	*2022*		*2021*	
	Pre-modification outstanding recorded investment	*Post-modification outstanding recorded investment*	*Pre-modification outstanding recorded investment*	*Post-modification outstanding recorded investment*
Total debt restructurings:				
Production and intermediate-term	$ 277	$ 100	$ 742	$ 743
Rural infrastructure	8,000	2,157	—	—
Total	**$ 8,277**	**$ 2,257**	**$ 742**	**$ 743**

The following table presents information regarding TDRs that occurred within the previous 12 months of that year end and for which there was a payment default during the period:

Year ended December 31,	*2022*	*2021*
Troubled debt restructurings that subsequently defaulted:		
Production and intermediate-term	$ 187	$ —
Total	**$ 187**	**$ —**

The following table provides information on outstanding TDRs. These loans are included as nonperforming loans in the nonperforming loans tables prior to the adoption of CECL on January 1, 2023.

December 31,	*2022*		*2021*	
	Loans modified as TDRs	*TDRs in nonaccrual status*	*Loans modified as TDRs*	*TDRs in nonaccrual status*
Total debt restructurings:				
Real estate mortgage	$ 11,413	$ 10,684	$ 12,363	$ 11,230
Production and intermediate-term	10,228	9,639	17,454	14,462
Rural infrastructure	2,157	2,157	—	—
Rural residential real estate	725	—	839	—
Total	**$ 24,523**	**$ 22,480**	**$ 30,656**	**$ 25,692**

Allowance for Credit Losses

The credit risk rating methodology is a key component of AgWest's ACL evaluation, and is generally incorporated into its loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established by AgWest to manage credit exposure. The regulatory limit to a single borrower or lessee is 15 percent of AgWest's lending and leasing limit base but the board of directors have established more restrictive lending limits. The ACL is made up of the Allowance for loan losses on the Consolidated Balance Sheets and the reserve for unfunded commitments, reported in Other liabilities. The provision for credit losses or credit loss reversal is related to both loans and the reserve for unfunded commitments reported on the Consolidated Statements of Income and Comprehensive Income. Effective January 1, 2023, AgWest adopted the CECL accounting guidance as described in Note 2. The ACL for PCD loans acquired in the merger was established through an increase in the acquired loan balance as discussed in Note 2 and there was no corresponding increase to the provision for credit losses. The initial ACL for non-PCD loans acquired in the merger was established through a corresponding increase to the provision for credit losses.

A summary of changes in the allowance for credit losses by portfolio segment are as follows:

	Real estate mortgage	*Production and intermediate-term*	*Agribusiness*	*Rural infrastructure*	*Rural residential real estate*	*Financing leases*	*Other*	*Total*
Allowance for loan losses:								
Balance at December 31, 2022	$ 19,219	$ 25,676	$ 17,337	$ 2,841	$ 884	$ 1,406	$ 137	$ 67,500
Impact of CECL adoption	17,336	(9,891)	(7,417)	(567)	267	(1,123)	(105)	(1,500)
Balance at January 1, 2023	**$ 36,555**	**$ 15,785**	**$ 9,920**	**$ 2,274**	**$ 1,151**	**$ 283**	**$ 32**	**$ 66,000**
Initial allowance for credit losses on PCD loans	3,723	10,311	4,544	—	—	—	—	18,578
Charge-offs	(19)	(47)	(904)	—	(1)	—	—	(971)
Recoveries	56	254	—	30	2	—	29	371
Provision for loan losses (loan loss reversal)	18,565	23,288	16,457	2,613	(261)	3,087	273	64,022
Balance at December 31, 2023	**$ 58,880**	**$ 49,591**	**$ 30,017**	**$ 4,917**	**$ 891**	**$ 3,370**	**$ 334**	**$ 148,000**
Reserve for unfunded commitments:								
Balance at December 31, 2022	$ 494	$ 8,094	$ 7,349	$ 909	$ 1	$ 102	$ 51	$ 17,000
Impact of CECL adoption	476	(5,369)	(4,496)	(521)	1	(102)	11	(10,000)
Balance at January 1, 2023	**$ 970**	**$ 2,725**	**$ 2,853**	**$ 388**	**$ 2**	**$ —**	**$ 62**	**$ 7,000**
Provision (reversal) for unfunded lending commitments	1,706	9,341	5,470	530	(2)	—	(45)	17,000
Balance at December 31, 2023	**$ 2,676**	**$ 12,066**	**$ 8,323**	**$ 918**	**$ —**	**$ —**	**$ 17**	**$ 24,000**
Total allowance for credit losses at December 31, 2023	**$ 61,556**	**$ 61,657**	**$ 38,340**	**$ 5,835**	**$ 891**	**$ 3,370**	**$ 351**	**$ 172,000**

Included within the provision for loan losses and provision for unfunded lending commitments in the table above are $42.3 million and $11.4 million, respectively, that reflect the impact of the acquired non-PCD loan portfolio at January 1, 2023.

Prior to January 1, 2023, and the adoption of CECL, summaries of the changes in the allowance for loan losses and period end recorded investment in loans outstanding are as follows:

	Real estate mortgage	*Production and intermediate-term*	*Agribusiness*	*Rural infrastructure*	*Rural residential real estate*	*Financing leases*	*Other*	*Total*
Allowance for loan losses:								
Balance at December 31, 2021	$ 18,566	$ 21,940	$ 11,987	$ 4,107	$ 1,333	$ 1,935	$ 132	$ 60,000
Charge-offs	(5)	(316)	—	(628)	(2)	—	—	(951)
Recoveries	6	231	—	—	2	—	—	239
Provision for loan losses (loan loss reversal)	652	3,821	5,350	(638)	(449)	(529)	5	8,212
Balance at December 31, 2022	**$ 19,219**	**$ 25,676**	**$ 17,337**	**$ 2,841**	**$ 884**	**$ 1,406**	**$ 137**	**$ 67,500**
Reserve for unfunded commitments:								
Balance at December 31, 2021	$ 809	$ 8,186	$ 6,004	$ 1,337	$ 2	$ 20	$ 142	$ 16,500
(Reversal) provision for unfunded lending commitments	(315)	(92)	1,345	(428)	(1)	82	(91)	500
Balance at December 31, 2022	**$ 494**	**$ 8,094**	**$ 7,349**	**$ 909**	**$ 1**	**$ 102**	**$ 51**	**$ 17,000**
Total allowance for credit losses at December 31, 2022	**$ 19,713**	**$ 33,770**	**$ 24,686**	**$ 3,750**	**$ 885**	**$ 1,508**	**$ 188**	**$ 84,500**
Recorded investments in loans outstanding [1]:								
Ending balance: Loans individually evaluated for impairment	$ 18,276	$ 26,427	$ 145	$ 2,157	$ 1,770	$ —	$ —	$ 48,775
Ending balance: Loans collectively evaluated for impairment [2]	7,181,625	3,514,247	2,771,485	563,892	282,653	64,793	41,594	14,420,289
Balance at December 31, 2022	**$ 7,199,901**	**$ 3,540,674**	**$ 2,771,630**	**$ 566,049**	**$ 284,423**	**$ 64,793**	**$ 41,594**	**$ 14,469,064**

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

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

	Real estate mortgage	Production and intermediate-term	Agribusiness	Rural infrastructure	Rural residential real estate	Financing leases	Other	Total
Allowance for loan losses:								
Balance at December 31, 2020	$ 20,934	$ 29,618	$ 17,404	$ 2,992	$ 2,038	$ 2,256	$ 258	$ 75,500
Charge-offs	(2)	(62)	(2)	(1)	—	—	—	(67)
Recoveries	4	210	—	7	2	—	—	223
Provision for loan losses (loan loss reversal)	(2,370)	(7,826)	(5,415)	1,109	(707)	(321)	(126)	(15,656)
Balance at December 31, 2021	**$ 18,566**	**$ 21,940**	**$ 11,987**	**$ 4,107**	**$ 1,333**	**$ 1,935**	**$ 132**	**$ 60,000**
Reserve for unfunded commitments:								
Balance at December 31, 2020	$ 617	$ 12,609	$ 8,762	$ 1,343	$ 8	$ —	$ 161	$ 23,500
Provision for loan losses (loan loss reversal)	192	(4,423)	(2,758)	(6)	(6)	20	(19)	(7,000)
Balance at December 31, 2021	**$ 809**	**$ 8,186**	**$ 6,004**	**$ 1,337**	**$ 2**	**$ 20**	**$ 142**	**$ 16,500**
Total allowance for credit losses at December 31, 2021	**$ 19,375**	**$ 30,126**	**$ 17,991**	**$ 5,444**	**$ 1,335**	**$ 1,955**	**$ 274**	**$ 76,500**
Recorded investments in loans outstanding [1]:								
Ending balance: Loans individually evaluated for impairment	$ 21,920	$ 21,829	$ 333	$ 7,999	$ 2,321	$ 88	$ —	$ 54,490
Ending balance: Loans collectively evaluated for impairment [2]	6,981,477	3,280,112	2,410,948	538,350	337,043	72,175	38,202	13,658,307
Balance at December 31, 2021	**$ 7,003,397**	**$ 3,301,941**	**$ 2,411,281**	**$ 546,349**	**$ 339,364**	**$ 72,263**	**$ 38,202**	**$ 13,712,797**

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

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

Note 5 – Investment in CoBank, ACB

At December 31, 2023, AgWest's investment in CoBank is in the form of Class A stock with a par value of one hundred dollars per share. AgWest is required to own stock in CoBank to capitalize both its direct loan balance and participation loans sold to CoBank. As of December 31, 2023, 2022 and 2021, AgWest owned approximately 20 percent, 11 percent and 11 percent, respectively, of the outstanding common stock of CoBank. Under the current CoBank capital plan, patronage from CoBank related to capitalizing participations sold is paid 75 percent in cash and 25 percent in CoBank Class A stock. The capital plan is evaluated annually by CoBank's board of directors and management and is subject to change. Additionally, CoBank's board of directors may approve additional distributions of patronage, subject to certain regulatory requirements.

CoBank may require the holders of its equities to subscribe for such additional capital as may be needed to meet its capital requirements for its joint and several liability under the Farm Credit Act and regulations. In making such a capital call, CoBank shall account for the financial condition of each such holder and such other considerations, as it deems appropriate.

Note 6 – Premises and Equipment

Premises and equipment consist of the following:

December 31,		*2023*		*2022*		*2021*
Land	$	19,127	$	6,976	$	6,976
Buildings and leasehold improvements		97,137		60,390		53,536
Furniture and equipment		16,996		15,196		18,510
Less: accumulated depreciation		(32,890)		(29,011)		(30,828)
Total premises and equipment, net	**$**	**100,370**	**$**	**53,551**	**$**	**48,194**
Depreciation expense	**$**	**6,414**	**$**	**3,561**	**$**	**3,484**

Note 7 – Note Payable to CoBank, ACB

Debt balances are generally carried at par value, adjusted for net business combination and original issuance discounts.

AgWest's indebtedness to CoBank primarily represents borrowings by AgWest to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of AgWest's assets and is governed by a General Financing Agreement (GFA). According to the GFA, the aggregate outstanding amount of principal and accrued interest shall not at any time exceed the commitment amount. Each debt obligation has its own term and rate structure. The GFA is subject to renewal periodically and requires the association to comply with certain covenants. AgWest was in compliance with the terms and conditions of the GFA as of December 31, 2023.

Through the note payable to CoBank, AgWest was liable for the following:

December 31,		*2023*		*2022*		*2021*
Fixed-rate debt	$	9,131,472	$	6,092,385	$	6,589,961
Floating-rate debt		14,924,862		3,935,000		2,500,100
Discount notes		508,882		1,111,233		224,986
Daily revolving line of credit		1,008,620		670,932		1,725,693
Total	**$**	**25,573,836**	**$**	**11,809,550**	**$**	**11,040,740**

Fixed-rate debt typically has maturities ranging from one to 30 years. At December 31, 2023, fixed-rate debt included callable debt of $4.4 billion with a range of call dates between January 2024 and October 2028. Floating-rate debt generally has maturities ranging from one year to two years. Discount notes have maturities ranging from one day to 365 days. The daily revolving line of credit is renewed annually and is priced at the 30-day discount note rate.

The maturities of debt and weighted average interest rate as of December 31, 2023, are shown below:

Year of maturity		*Amount*	*Weighted average interest*
2024	$	13,556,386	5.18 %
2025		5,591,958	5.31 %
2026		1,150,872	3.40 %
2027		737,062	2.72 %
2028		870,844	3.81 %
Subsequent years		3,666,714	3.36 %
Total	**$**	**25,573,836**	**4.75 %**

As of December 31, 2023, remaining net business combination discounts were $303.3 million. See Note 1 for information regarding debt assumed through merger.

Under the Farm Credit Act, AgWest is obligated to borrow only from CoBank, unless CoBank gives approval to borrow elsewhere. CoBank, consistent with FCA regulations, has established limitations on AgWest's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2023, AgWest's note payable was within the specified limitations.

AgWest has two secondary sources of liquidity and funding, with the first being the liquidity investments portfolio managed by AgWest. The liquidity investments portfolio holds investment securities primarily to maintain a liquidity reserve and to assist with interest rate risk management. In accordance with Board-approved policies, AgWest purchases high credit quality investment securities to ensure the investment portfolio is readily marketable and available to serve as a source of liquidity in the event of disruption to AgWest's normal funding sources. For additional information on investment securities, refer to Note 2 and Note 3.

AgWest's other secondary source of liquidity and funding is through an uncommitted Federal Funds line of credit with Wells Fargo Bank, N.A. The amount available as of December 31, 2023 through this line is $125.0 million, and is intended to provide liquidity for disaster recovery or other emergency situations. This line of credit has been approved by CoBank and in the event of disaster recovery or other emergency situation, AgWest would not need to notify CoBank prior to use of the line of credit. At December 31, 2023, 2022 and 2021, no balance was outstanding on this line of credit.

Note 8 – Members' Equity

Descriptions of AgWest's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions and equities are provided below.

Capital Stock and Participation Certificates

In accordance with the Farm Credit Act and AgWest's capitalization bylaws, each borrower is required to acquire capital stock or participation certificates in AgWest as a condition of borrowing. Borrowers acquire ownership of capital stock or participation certificates at the time the loan is made. Certain AgWest borrowers make a cash investment when acquiring capital stock or participation certificates. Other borrowers or participation certificate holders maintain an interest free obligation with AgWest. As a result of the merger on January 1, 2023, all Farm Credit West, ACA borrowers became shareholders of AgWest Farm Credit, ACA at a one-for-one exchange ratio.

The capital stock and participation certificates are at-risk investments as described in the AgWest capitalization bylaws. AgWest retains a first lien on common stock or participation certificates owned by its borrowers. Stock is retired in accordance with AgWest bylaws and only if AgWest is in compliance with its capital adequacy requirements. Borrowers are responsible for payment of the cash investment upon demand by AgWest. Capital stock and participation certificates receivable are included in Total members' equity on the Consolidated Balance Sheets under the contra account, "Less: capital stock and participation certificates receivable ".

Pursuant to provisions of the Farm Credit Act, the System's minimum initial borrower investment requirement is one thousand dollars or 2 percent of the related loan balance on a per customer basis, whichever is less. The bylaws of AgWest provide its board of directors with the authority to modify the capitalization requirements for new loans subject to a maximum of 4 percent of the related loan balance.

Retirement of equities noted above will be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding stock or participation certificates. The AgWest's Board of Directors (the board) considers the current and future status of permanent capital requirements before authorizing any retirement of at-risk equities. Pursuant to FCA regulations, should AgWest fail to satisfy its minimum permanent capital requirements, retirements of at-risk equities subsequent to such noncompliance would be prohibited, except for retirements in the event of default or loan restructuring.

Regulatory Capitalization Requirements and Restrictions

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

As of December 31,	*2023*	*2022*	*2021*	*Regulatory minimums*	*Regulatory minimums with buffer*
Risk-adjusted:					
Common equity tier 1 ratio	15.2%	17.1%	17.2%	4.5%	7.0%
Tier 1 capital ratio	15.2%	17.1%	17.2%	6.0%	8.5%
Total capital ratio	15.7%	17.7%	17.7%	8.0%	10.5%
Permanent capital ratio	15.3%	17.2%	17.3%	7.0%	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio[1]	15.9%	18.1%	18.3%	4.0%	5.0%
UREE leverage ratio	15.9%	18.1%	19.7%	1.5%	1.5%

[1]*Must include the regulatory minimum requirement of at least 1.5 percent of UREE.*

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. Also, failure to meet total requirements could initiate certain mandatory and possibly additional discretionary actions by the FCA that, if undertaken, could have a direct material effect on AgWest's financial statements.

An existing regulation empowers FCA to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. This regulation has not been used to date. AgWest has not been called upon to initiate any such transfers and is not aware of any proposed action under this regulation.

Description of Equities

AgWest is authorized to issue an unlimited number of shares of Class A common stock and up to 500 million units of Class A participation certificates (PCs) with a par value of five dollars per share. Class A common stock is at-risk, has voting rights and may be retired at the discretion of the board and, if retired, shall be retired at lower of par or book value. At December 31, 2023, there were 3,418,983 shares outstanding with a total par value of $17.1 million. Class A PCs are at-risk, do not have voting rights and may be retired at the discretion of the board and, if retired, shall be retired at lower of par or book value. At December 31, 2023, there were 260,163 units outstanding with a total par value of $1.3 million.

AgWest is authorized to issue Class A nonvoting stock with a face value of five dollars per share to those eligible borrowers who are not eligible to hold Class A voting stock per FCA regulations. At December 31, 2023, there were no shares of Class A nonvoting shares outstanding.

AgWest is authorized to issue 100 million shares of Class D nonvoting stock to CoBank with a par value of five dollars. Class D nonvoting stock is not transferable and is required to be issued for cash, with AgWest having no authority to require additional capital contributions. Retirement and earnings distributions are subject to statutory and regulatory restrictions. At December 31, 2023, there were no Class D nonvoting shares outstanding.

Voting common stock is converted to nonvoting common stock two years after the owner of the stock ceases to be a borrower or immediately if the former borrower becomes ineligible to borrow from AgWest. Nonvoting common stockholders are eligible to participate in other services offered by AgWest. Each owner or the joint owners of voting common stock are entitled to a single vote regardless of the number of shares held, while nonvoting common stock and PCs provide no voting rights to their owners. Voting stock may not be transferred to another person unless such person is eligible to hold such stock.

Losses that result in impairment of capital stock and PCs would be allocated to such equities on a prorated basis. Upon liquidation of AgWest, at-risk capital stock and PCs would be used as necessary to satisfy any remaining obligations in excess of the amounts realized on the sale or liquidation of assets. Equities protected under the Farm Credit Act would continue to be retired at par or face value.

Patronage

AgWest's bylaws provide for the payment of patronage distributions. All patronage distributions to eligible stockholders shall be on a proportionate patronage basis as may be approved by the board, consistent with the requirements of Subchapter T of the IRC. For the years ended December 31, 2023, 2022 and 2021, the board approved cash patronage distributions of $387.0 million, $186.5 million and $165.2 million, respectively. Patronage distributions are recorded on an accrual basis, based on estimated amounts. The difference between the estimated accrual and the actual patronage distribution is reflected in retained earnings in the year paid. In December 2023, the board approved an obligating resolution to distribute a portion of 2024 earnings in the form of patronage to AgWest's stockholders. The patronage will be accrued and declared in 2024 and paid in 2025.

All earnings not distributed as qualified patronage allocations or appropriated for some other purpose are held as accumulated earnings. At December 31, 2023, all accumulated earnings are retained as Unallocated retained earnings. In accordance with Internal Revenue Service (IRS) requirements, each stockholder is sent a nonqualified written notice of allocation. Allocated but not distributed patronage refunds are included in Unallocated retained earnings. The board considers these Unallocated retained earnings to be permanently invested in AgWest. As such, there is no current plan to retire, revolve or redeem these amounts, except in the unlikely event of liquidation. No express or implied right to have such capital retired or revolved at any time is granted.

Accumulated Other Comprehensive Income (Loss)

AgWest reports Accumulated other comprehensive loss as a component of Total members' equity. The following tables present activity in the Accumulated other comprehensive loss by component:

	Pension and other benefit plans	*Unrealized gains/ (losses) on investment securities*	*Total accumulated other comprehensive (loss) income*
Balance at December 31, 2022	**$ (856)**	**$ (37,006)**	**$ (37,862)**
Other comprehensive (loss) income before reclassifications	(989)	14,905	13,916
Net current period other comprehensive (loss) income	(989)	14,905	13,916
Balance at December 31, 2023	**$ (1,845)**	**$ (22,101)**	**$ (23,946)**
Balance at December 31, 2021	**$ (851)**	**$ (3,710)**	**$ (4,561)**
Other comprehensive loss before reclassifications	(5)	(33,206)	(33,211)
Amounts reclassified from accumulated other comprehensive loss (income)	—	(90)	(90)
Net current period other comprehensive loss	(5)	(33,296)	(33,301)
Balance at December 31, 2022	**$ (856)**	**$ (37,006)**	**$ (37,862)**
Balance at December 31, 2020	**$ (1,287)**	**$ 1,152**	**$ (135)**
Other comprehensive income (loss) before reclassifications	436	(4,862)	(4,426)
Net current period other comprehensive income (loss)	436	(4,862)	(4,426)
Balance at December 31, 2021	**$ (851)**	**$ (3,710)**	**$ (4,561)**

The following table represents reclassifications out of Accumulated other comprehensive loss:

	Location of (losses) gains recognized in Consolidated Statements of Income	*Amount reclassified from accumulated other comprehensive loss*		
Year ended December 31,		*2023*	*2022*	*2021*
Unrealized gains on investment securities available-for-sale, net:				
Gain on sales, net	Other noninterest income	$ —	$ 90	$ —
Total reclassifications		**$ —**	**$ 90**	**$ —**

Note 9 – Income Taxes

The provision for income taxes follows:

Year ended December 31,	*2023*	*2022*	*2021*
Current:			
Federal	$ 3,240	$ 349	$ 834
State	560	56	142
Total current provision for income taxes	**$ 3,800**	**$ 405**	**$ 976**
Deferred:			
Federal	$ (20,057)	$ (1,894)	$ 3,169
State	(3,986)	(316)	531
Total deferred provision for income taxes	**$ (24,043)**	**$ (2,210)**	**$ 3,700**
Increase (decrease) in deferred tax asset valuation allowance	22,114	2,395	(3,256)
Provision for income taxes	**$ 1,871**	**$ 590**	**$ 1,420**

The Provision for income taxes increased in 2023 as a result of increased PCA non-patronage-sourced income.

The Provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows:

Year ended December 31,	2023	2022	2021
Federal tax at statutory rate	$ 149,041	$ 73,714	$ 74,363
State tax, net	(2,707)	(205)	531
Effect of nontaxable activities	(114,152)	(60,471)	(58,144)
Patronage distribution	(38,460)	(15,758)	(14,158)
Increase (decrease) in deferred tax asset valuation allowance	22,114	2,395	(3,256)
Business combination, net	(8,960)	—	—
Other	(5,005)	915	2,084
Provision for income taxes	**$ 1,871**	**$ 590**	**$ 1,420**

Deferred tax assets and liabilities were composed of the following:

December 31,	2023	2022	2021
Allowance for credit losses	$ 21,826	$ 9,069	$ 7,243
Employee benefits, net	—	6,171	5,491
Interest on nonaccrual loans	4,226	1,096	947
Deferred loan fees and costs, net	2,480	1,734	398
Loss carryforwards	9,075	—	—
Business combination - loans	19,534	—	—
Gross deferred tax assets	**$ 57,141**	**$ 18,070**	**$ 14,079**
Patronage	(14,922)	(12,596)	(11,029)
Business combination - debt and other	(7,295)	—	—
Gross deferred tax liabilities	**$ (22,217)**	**$ (12,596)**	**$ (11,029)**
Valuation allowance	(33,256)	(5,401)	(2,792)
Net deferred tax asset	**$ 1,668**	**$ 73**	**$ 258**

The calculation of deferred tax assets and liabilities involves various management estimates and assumptions as to the future taxable earnings, including the amount of non-patronage income and patronage income retained. The expected future tax rates are based upon enacted tax laws.

AgWest implemented a management agreement beginning January 1, 2023, where the FLCA charges the PCA and ACA a management fee for each entity's proportionate share of total noninterest expenses. This eliminated certain deferred tax amounts presented in prior years.

AgWest recorded a valuation allowance in 2023, 2022 and 2021 as reflected in the tables above. AgWest will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

AgWest recognizes interest and penalties related to unrecognized tax positions as an adjustment to income tax expense. The total amount of unrecognized tax benefits, if recognized, would have no effect on AgWest's effective tax rate. AgWest does not have any positions for which it is reasonably possible that the total amounts of unrecognized tax positions will significantly increase or decrease within the next 12 months.

Tax years that remain open for federal and state income tax jurisdictions are generally 2020 and forward.

Note 10 – Employee Benefit Plans

Defined Benefit Plans

Certain eligible employees of AgWest participate in the Pension Plan or the multi-employer Defined Benefit Plan. Both plans are defined benefit retirement plans and are closed to new entrants. The Department of Labor has determined the plans are governmental plans; therefore, these plans are not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plans are not subject to ERISA, the plans' benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of a plan's termination is contingent on the sufficiency of the plan's net assets to provide benefits at that time. AgWest contributes amounts necessary on an actuarial basis to provide each plan with sufficient assets to meet the benefits to be paid to participants. The amounts ultimately to be contributed and recognized as expense, as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater or less than anticipated. Benefits are paid from plan assets based on a pre-defined formula that considers salary and credited service, subject to certain limitations. Several benefit payment options are available, as defined under each of the pension plan documents.

AgWest recognizes the funded status of its Pension Plan, measured as the difference between the fair value of the plan assets and the projected benefit obligation, on the Consolidated Balance Sheets within the Other assets and Other liabilities line item, depending on the funded status of the plan. As of December 31, 2023, the unfunded status related to the Pension Plan was $1.1 million. As of December 31, 2022 and 2021, the funded status related to the pension plan was $162.3 thousand and $1.9 million, respectively.

The Defined Benefit Plan, which includes other associations as employers, has an unfunded liability totaling $0.4 million at December 31, 2023. The pension benefits funding status of the multi-employer plan reflects the net difference of the fair value of the plan assets and the projected benefit obligation. At December 31, 2023, the projected benefit obligation of the plan was $243.7 million and the fair value of the plan assets was $243.3 million. The projected benefit obligation of the plan was $238.6 million and $298.8 million at December 31, 2022 and 2021, respectively. The fair value of the plan assets was $236.8 million and $291.1 million at December 31, 2022 and 2021, respectively.

The Defined Benefit Plan costs are determined for each individual employer in the multi-employer plan based on costs directly related to its eligible employees in the plan as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under the plan. AgWest recognizes its proportional share of expense and contributes its proportional share of funding. Total plan expense for all participating employers was $4.7 million for the year ended December 31, 2023. AgWest's allocated share of plan expense included in Salaries and employee benefits was $1.3 million for the year ended December 31, 2023. Participating employers contributed $1.5 million for the year ended December 31, 2023. AgWest's allocated share of these pension contributions was $0.4 million for the year ended December 31, 2023. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total employer contributions expected to be paid into this pension plan during 2024 is $1.1 million. AgWest's allocated share of these pension contributions in 2024 is expected to be $0.3 million.

Other Post-Employment Benefit Plans

AgWest employees may participate in the Defined Contribution Plan in accordance with Section 401 of the IRC and elect to defer a portion of their salaries in accordance with IRS rules. The Defined Contribution Plan has two components. Employees who do not participate in the Pension Plan or Defined Benefit Plan may receive benefits through the Employer Contribution portion of the Defined Contribution Plan. In this plan, AgWest provides a monthly contribution based on a defined percentage of the employee's salary. Employees may also participate in a Salary Deferral Plan. In this plan, AgWest matches a certain percentage of employee contributions. Employer contributions to the Defined Contribution Plan were $13.3 million for the year ended December 31, 2023, $8.2 million for the year ended December 31, 2022 and $7.6 million for the year ended December 31, 2021.

Certain eligible current and retired employees of AgWest are provided post-retirement benefits other than pension benefits through the Farm Credit Foundations Retiree Medical Plan and Retiree Life Plan. Benefits provided are determined on a graduated scale, based on years of service. The anticipated costs of these benefits are accrued during the period of the employee's active service. Post-retirement benefits (primarily health care benefits) included in Salaries and employee benefits expense were less than $0.1 million for the year ended December 31, 2023. These expenses are equal to AgWest's cash contributions for each year.

Certain employees of AgWest participate in the NQ Pension 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 IRC. Benefits payable under the NQ Pension Plan are reduced by the benefits payable from the Defined Benefit Plan. As of December 31, 2023, the unfunded status related to the the NQ Pension Plan was $13.0 million.

AgWest provides a NQDC Plan, where senior officers and certain other individuals may defer a portion of their salary, bonus and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to compensation deferred by the employee that would have been eligible for a matching contribution under the Defined Contribution Plan if it were not for certain IRS limitations. The plan's assets and liabilities are reported separately under accounting guidance. The funding is recognized as an asset and the related amount owed to employees is recognized as a liability. The amounts reflected in Other assets and Other liabilities on the Consolidated Balance Sheets at December 31, 2023 and 2022 were $20.2 million and $15.1 million, respectively.

Note 11 – Related Party Transactions

In the ordinary course of business, AgWest enters into loan transactions with directors, their immediate families, their affiliated organizations and affiliated organizations of senior officers. Such loans are made on the same terms, including interest rates, amortization schedules and collateral requirements, as those prevailing at the time for comparable transactions with unrelated borrowers. Senior officers and certain immediate family and affiliated organizations are precluded from obtaining new loans from AgWest.

Loan information to related parties was as follows:

		2023		*2022*		*2021*
Balance at January 1,	$	81,875	$	64,679	$	37,961
New and advances on loans		338,377		489,943		343,263
Repayments and other		(126,235)		(472,747)		(316,545)
Balance at December 31,	**$**	**294,017**	**$**	**81,875**	**$**	**64,679**

The Repayments and other above reflects loan repayments, participations sold and changes in related parties for the respective periods. As of December 31, 2023, related party loans of $461 thousand involve more than a normal risk of collectability.

In the ordinary course of business, AgWest also enters into certain other transactions with directors and their affiliated entities. These transactions for products and services are available to all customers and are made on the same terms prevailing at the time for comparable transactions with unrelated customers.

AgWest also recognized $153.8 million, $76.7 million and $67.8 million of patronage income from CoBank for the years ended December 31, 2023, 2022 and 2021, respectively. Patronage distributed from CoBank was in cash and common stock. The amounts accrued for 2023 will be paid by CoBank in 2024. As of December 31, 2023, AgWest's investment in CoBank was $809.0 million, which was included in Investment in CoBank, ACB on the Consolidated Balance Sheets.

In the normal course of business, AgWest purchases loan participations from CoBank and also sells loan participations to CoBank. At December 31, 2023, AgWest had sold participation interests to CoBank totaling $2.9 billion and had purchased loan participation interests from CoBank totaling $3.1 billion.

AgWest's investment in AgDirect at December 31, 2023, 2022 and 2021, was $74.9 million, $50.8 million and $44.3 million, respectively. This was included in Other assets on the Consolidated Balance Sheets. This investment is accounted for under the cost basis method. Income recorded related to AgDirect for the years ended December 31, 2023, 2022 and 2021 was $10.3 million, $6.2 million and $4.4 million, respectively, which were included within Other noninterest income on the Consolidated Statements of Income and Comprehensive Income. AgWest's required capital investment in AgDirect is determined based on loan pool volume. As of December 31, 2023 and 2022, AgWest was required to capitalize loan pool volume at 12 percent as compared to 6 percent as of December 31, 2021.

AgWest's investment in AgriBank at December 31, 2023, 2022 and 2021 was $29.4 million, $29.2 million and $22.4 million, respectively. This investment supports ProPartners input financing and is included in Investment in other Farm Credit System entities on the Consolidated Balance Sheets. This investment is accounted for under the cost basis method. Income recorded related to AgriBank for the years ended December 31, 2023, 2022 and 2021 was $5.9 million, $4.1 million and $3.5 million, respectively, which was included within Other noninterest income on the Consolidated Statements of Income and Comprehensive Income. AgWest invests in AgriBank at a level agreed upon and generally based on the budgeted average daily balances of sold loan volume related to ProPartners.

System institutions jointly own several service organizations. These organizations were created to provide a variety of services for the System. AgWest has ownership interests in the following service organizations:

- AgWest, along with other System institutions, is a partial owner in Farm Credit Financial Partners, Inc. (FPI), a dedicated service corporation that provides information technology solutions for various Farm Credit entities. At December 31, 2023, AgWest owned approximately 40 percent of FPI and the investment in FPI was $6.0 million. This investment is accounted for under the equity method. AgWest's share of the income and losses related to the investment in FPI are recorded within Other noninterest income on the Consolidated Statements of Income and Comprehensive Income and are not material for the years presented. The total cost of services purchased from FPI for the year ended December 31, 2023, was $28.5 million and included $1.3 million of merger related expense. The costs for the years ended December 31, 2022 and 2021 were $16.2 million and $15.0 million, respectively. These amounts are included within Information technology services on the Consolidated Statements of Income and Comprehensive Income.

- Farm Credit System Association Captive Insurance Company (Captive), provides corporate insurance coverage to member organizations. As of December 31, 2023, AgWest's investment in the Captive was $5.6 million, which was included in Other assets on the Consolidated Balance Sheets. The gain/loss recorded each year is included within Other noninterest income on the Consolidated Statements of Income and Comprehensive Income.
- Farm Credit Foundations (Foundations) provides benefits and payroll services to AgWest as well as certain other System entities. As of December 31, 2023, AgWest's investment in Foundations was $121.3 thousand, which was included in Investment in other Farm Credit System entities on the Consolidated Balance Sheets. The total cost of services purchased from Foundations for the year ended December 31, 2023 was $1.4 million, which included $0.5 million of merger related expenses. Total costs for the years ended December 31, 2022 and 2021 were both $0.8 million. These amounts are included within Other noninterest expenses on the Consolidated Statements of Income and Comprehensive Income.

As of December 31, 2023, AgWest had equity ownership in the following Unincorporated Business Entities, which were all formed for the purpose of acquiring and managing unusual or complex collateral associated with loans. These Unincorporated Business Entities did not have any activity during the year ended December 31, 2023.

	Ownership %
Assembly, LLC	100.0 %
Assembly I, LLC	100.0 %
Avail, LLC	100.0 %
FLCA Acquired Property, LLC	100.0 %
PCA Acquired Property, LLC	100.0 %

Note 12 – Regulatory Enforcement Matters

No FCA regulatory enforcement actions currently exist with respect to AgWest.

Note 13 – Fair Value Measurements

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. The fair value measurement is not an indication of liquidity. Fair value measurements are determined on a recurring basis or a nonrecurring basis. For additional information, refer to Note 2.

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

	Fair value measurement using			
December 31, 2023	*Level 1*	*Level 2*	*Level 3*	*Total fair value*
Assets:				
Investment securities	$ —	$ 1,776,547	$ —	$ 1,776,547
Derivative assets	—	—	—	—
RBICs	—	—	21,834	21,834
Total assets	**$ —**	**$ 1,776,547**	**$ 21,834**	**$ 1,798,381**
Liabilities:				
Derivative liabilities	$ —	$ 702	$ —	$ 702
Total liabilities	**$ —**	**$ 702**	**$ —**	**$ 702**

	Fair value measurement using			
December 31, 2022	*Level 1*	*Level 2*	*Level 3*	*Total fair value*
Assets:				
Investment securities	$ —	$ 606,343	$ —	$ 606,343
Derivative assets	—	—	—	—
RBICs	—	—	9,167	9,167
Total assets	**$ —**	**$ 606,343**	**$ 9,167**	**$ 615,510**
Liabilities:				
Derivative liabilities	$ —	$ 3,324	$ —	$ 3,324
Total liabilities	**$ —**	**$ 3,324**	**$ —**	**$ 3,324**

	Fair value measurement using			
December 31, 2021	*Level 1*	*Level 2*	*Level 3*	*Total fair value*
Assets:				
Investment securities	$ —	$ 422,301	$ —	$ 422,301
Derivative assets	—	4,040	—	4,040
RBICs	—	—	5,877	5,877
Total assets	**$ —**	**$ 426,341**	**$ 5,877**	**$ 432,218**
Liabilities:				
Derivative liabilities	$ —	$ —	$ —	$ —
Total liabilities	**$ —**	**$ —**	**$ —**	**$ —**

There were no significant transfers between Level 1, Level 2 and Level 3 during the year.

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

	Fair value measurement using			
	Level 1	*Level 2*	*Level 3*	*Total fair value*
Assets:				
Nonaccrual loans				
December 31, 2023	$ —	$ —	$ 54,047	$ 54,047
December 31, 2022	$ —	$ —	$ 13,546	$ 13,546
December 31, 2021	$ —	$ —	$ 9,374	$ 9,374
Other property owned				
December 31, 2023	$ —	$ —	$ 13,296	$ 13,296

As of December 31, 2022 and 2021, there were no other property owned balances.

Valuation Techniques

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

Investment Securities

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

Derivative Assets and Liabilities

Exchange-traded derivatives valued using quoted prices would be classified within the fair value Level 1 hierarchy. However, few classes of derivative contracts are listed on an exchange; thus, the derivative positions are valued using internally developed models that use readily observable market parameters as their basis and are classified within the fair value Level 2 hierarchy. Such derivatives include interest rate swaps.

The models used to determine the fair value of derivative assets and liabilities use an income approach based on observable market inputs, including the SOFR curves and volatility assumptions about future interest rate movements. For additional information on derivative instruments, refer to Note 15.

RBICs

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

Nonaccrual Loans

Nonaccrual loans are evaluated for impairment under FASB impairment guidance and the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but, in many cases, it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned

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

Note 14 – Commitments and Contingencies

AgWest has various commitments outstanding and contingent liabilities.

AgWest may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its customers and to manage exposure to interest-rate risk. These financial instruments include commitments to extend credit and/or commercial letters of credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements.

Commitments to extend credit are agreements to lend to a customer as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2023, there were $9.4 billion of commitments to extend credit and there were $0.7 million of commercial letters of credit.

AgWest also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. Standby letters of credit are recorded at fair value on the Consolidated Balance Sheets. At December 31, 2023, $150.7 million of standby letters of credit were outstanding. The outstanding standby letters of credit have expiration dates ranging from 2024 to 2030.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the balance sheet until funded. The credit risk associated with issuing commitments is substantially the same as that involved in extending loans to borrowers and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management’s credit evaluation of the borrower.

In the normal course of business, AgWest may be subject to a variety of legal matters, which may result in contingencies. In addition, actions are pending against AgWest in which claims for monetary damages are asserted. Based on current information, management and legal counsel are of the opinion that the ultimate liability, if any resulting therefrom, would not be material in relation to the financial condition and results of operation of AgWest.

Note 15 – Derivative Instruments and Hedging Activities

Risk Management Objectives and Strategies

AgWest maintains an overall risk management strategy that incorporates the use of derivative financial instruments to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. The goal is to manage interest rate sensitivity and risk by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities. As a result of interest rate fluctuations, fixed-rate assets and liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation is expected to be substantially offset by gains and losses on the derivative instruments that are used to hedge these assets and liabilities. AgWest considers the strategic use of derivatives to be a prudent method of managing risk, as it prevents earnings from being exposed to undue risk posed by changes in interest rates.

By using derivative instruments, AgWest exposes itself to credit risk and market risk. Generally, when the fair value of a derivative contract is positive, this indicates that the counterparty owes AgWest, thus creating a credit risk for AgWest. When the fair value of the derivative contract is negative, AgWest owes the counterparty and, therefore assumes no credit risk. AgWest's derivative activities are monitored by its Asset/Liability Committee (ALCO) as part of its oversight of the asset/liability and treasury functions. The ALCO is responsible for approving hedging strategies that are developed within parameters established by the AgWest's Board of Directors. The resulting hedging strategies are then incorporated into AgWest's overall risk-management strategies.

Uses of Derivatives

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

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

	Receive-fixed swaps	*Pay-fixed swaps*	*Total*
December 31, 2022	$ 225,000	$ —	$ 225,000
Additions	—	100,000	100,000
Maturities	(186,000)	(100,000)	(286,000)
December 31, 2023	**$ 39,000**	**$ —**	**$ 39,000**

	Receive-fixed swaps	*Pay-fixed swaps*	*Total*
December 31, 2021	$ 140,000	$ —	$ 140,000
Additions	100,000	—	100,000
Maturities	(15,000)	—	(15,000)
December 31, 2022	**$ 225,000**	**$ —**	**$ 225,000**

	Receive-fixed swaps	*Pay-fixed swaps*	*Total*
December 31, 2020	$ 390,000	$ —	$ 390,000
Additions	—	—	—
Maturities	(250,000)	—	(250,000)
December 31, 2021	**$ 140,000**	**$ —**	**$ 140,000**

Accounting for Derivative Instruments and Hedging Activities

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

Fair Value Hedges

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

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

	Carrying amount of the hedged item		
December 31,	*2023*	*2022*	*2021*
Note payable to CoBank, ACB	$ 38,387	$ 221,645	$ 144,066

	Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged item		
December 31,	*2023*	*2022*	*2021*
Note payable to CoBank, ACB	$ (613)	$ (3,355)	$ 4,066

Derivatives Not Designated as Hedges

For derivatives not designated as a hedging instrument, the related change in fair value is recorded in current period earnings in "net gains (losses) on derivative transactions" in the Consolidated Statements of Income and Comprehensive Income.

Summary of Derivative Instruments and Hedging Activities

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

	Fair value of derivative financial instruments	
December 31, 2023	*Derivative assets* [1]	*Derivative liabilities* [2]
Derivatives designated as hedging instruments:		
Receive-fixed swaps	$ —	$ 702
Total derivatives designated as hedging instruments	**$ —**	**$ 702**
Derivatives not designated as hedging instruments:		
Pay-fixed swaps	$ —	$ —
Total derivatives not designated as hedging instruments	**$ —**	**$ —**
Total derivatives	**$ —**	**$ 702**

[1] *Derivative assets are included in Other assets on the Consolidated Balance Sheets.*
[2] *Derivative liabilities are included in Other liabilities on the Consolidated Balance Sheets.*

	Fair value of derivative financial instruments	
December 31, 2022	*Derivative assets* [1]	*Derivative liabilities* [2]
Derivatives designated as hedging instruments:		
Receive-fixed swaps	$ —	$ 3,324
Total derivatives designated as hedging instruments	**$ —**	**$ 3,324**
Derivatives not designated as hedging instruments:		
Pay-fixed swaps	$ —	$ —
Total derivatives not designated as hedging instruments	**$ —**	**$ —**
Total derivatives	**$ —**	**$ 3,324**

[1] *Derivative assets are included in Other assets on the Consolidated Balance Sheets.*
[2] *Derivative liabilities are included in Other liabilities on the Consolidated Balance Sheets.*

	Fair value of derivative financial instruments	
December 31, 2021	*Derivative assets* [1]	*Derivative liabilities* [2]
Derivatives designated as hedging instruments:		
Receive-fixed swaps	$ 4,040	$ —
Total derivatives designated as hedging instruments	**$ 4,040**	**$ —**
Derivatives not designated as hedging instruments:		
Pay-fixed swaps	$ —	$ —
Total derivatives not designated as hedging instruments	**$ —**	**$ —**
Total derivatives	**$ 4,040**	**$ —**

[1] *Derivative assets are included in Other assets on the Consolidated Balance Sheets.*
[2] *Derivative liabilities are included in Other liabilities on the Consolidated Balance Sheets.*

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

	Effect of fair value hedge accounting on the Consolidated Statements of Income and Comprehensive Income	
Year ended December 31, 2023	*Interest income*	*Interest expense*
Total amount of line items presented in Consolidated Statements of Income and Comprehensive Income	$ 1,967,212	$ (1,118,362)
Gain (loss) on fair value hedge relationships:		
Receive fixed swaps:		
Recognized on derivatives	$ —	$ 2,622
Recognized on hedged items	—	(2,742)
Net expense recognized on fair value hedges	**$ —**	**$ (120)**

	Effect of fair value hedge accounting on the Consolidated Statements of Income and Comprehensive Income	
Year ended December 31, 2022	*Interest income*	*Interest expense*
Total amount of line items presented in Consolidated Statements of Income and Comprehensive Income	$ 636,828	$ (223,276)
Gain (loss) on fair value hedge relationships:		
Receive fixed swaps:		
Recognized on derivatives	$ —	$ (7,364)
Recognized on hedged items	—	7,421
Net income recognized on fair value hedges	**$ —**	**$ 57**

Year ended December 31, 2021		Effect of fair value hedge accounting on the Consolidated Statements of Income and Comprehensive Income: Interest income		Interest expense
Total amount of line items presented in Consolidated Statements of Income and Comprehensive Income	$	503,892	$	(116,056)
Gain (loss) on fair value hedge relationships:				
Receive fixed swaps:				
Recognized on derivatives	$	—	$	(7,700)
Recognized on hedged items		—		7,703
Net income recognized on fair value hedges	**$**	**—**	**$**	**3**

Counterparty Credit Risk

The use of derivatives for risk management introduces counterparty credit risk. Generally, when the fair value of a derivative contract is positive, AgWest is exposed to credit risk. AgWest has an International Swaps and Derivatives Association, Inc. agreement with CoBank, which meets the definition of a Qualifying Master Netting Agreement per FCA Regulations and requires the net settlement of covered contracts. Collateral is not exchanged between AgWest and CoBank. Notwithstanding netting provisions, derivative assets and liabilities are not offset in the accompanying Consolidated Balance Sheets. For additional information on derivative instruments, refer to Note 13.

Note 16 – Quarterly Financial Information (Unaudited)

Quarterly results of operations were as follows:

Quarters ending in 2023		*First*		*Second*		*Third*		*Fourth*		*Total*
Net interest income	$	209,251	$	203,938	$	210,987	$	224,674	$	848,850
Provision for credit losses (credit loss reversal)		55,852		9,540		11,860		3,770		81,022
Noninterest income		77,827		60,366		70,124		109,632		317,949
Noninterest expenses and provision for income taxes		(85,592)		(84,077)		(93,232)		(115,027)		(377,928)
Net income	**$**	**145,634**	**$**	**170,687**	**$**	**176,019**	**$**	**215,509**	**$**	**707,849**

Quarters ending in 2022		*First*		*Second*		*Third*		*Fourth*		*Total*
Net interest income	$	99,723	$	102,186	$	106,657	$	104,986	$	413,552
Provision for credit losses (credit loss reversal)		4,030		(1,520)		1,932		4,270		8,712
Noninterest income		36,344		33,895		35,386		58,190		163,815
Noninterest expenses and provision for income taxes		(47,175)		(51,394)		(51,760)		(67,308)		(217,637)
Net income	**$**	**84,862**	**$**	**86,207**	**$**	**88,351**	**$**	**91,598**	**$**	**351,018**

Quarters ending in 2021		*First*		*Second*		*Third*		*Fourth*		*Total*
Net interest income	$	92,453	$	96,036	$	106,933	$	92,414	$	387,836
Provision for credit losses (credit loss reversal)		539		(22,529)		873		(1,539)		(22,656)
Noninterest income		29,688		33,621		27,645		53,847		144,801
Noninterest expenses and provision for income taxes		(41,684)		(42,677)		(46,507)		(70,314)		(201,182)
Net income	**$**	**79,918**	**$**	**109,509**	**$**	**87,198**	**$**	**77,486**	**$**	**354,111**

The 2024 AgWest Quarterly Reports to Stockholders will be available on approximately May 10, 2024, August 9, 2024 and November 8, 2024. The AgWest 2024 Annual Report will be available on approximately March 14, 2025.

Note 17 – Subsequent Events

AgWest has evaluated subsequent events through March 8, 2024, the date the financial statements were available to be issued, and has determined that there are no events requiring disclosure.

DISCLOSURE INFORMATION REQUIRED BY FARM CREDIT ADMINISTRATION REGULATIONS (UNAUDITED)

Description of Business

General information regarding the business is incorporated herein by reference to Note 1 of the consolidated financial statements included in this annual report.

The description of significant developments, if any, is incorporated herein by reference to Management's Discussion and Analysis of Financial Condition and Results of Operations included in this annual report.

Description of Property

AgWest is headquartered in Spokane, Washington. AgWest owns and leases various facilities across the territory it serves, which is described in this annual report.

Legal Proceedings

Information regarding legal proceedings is incorporated herein by reference to Note 14 of the consolidated financial statements included in this annual report.

Description of Capital Structure

Information regarding capital structure is incorporated herein by reference to Note 8 of the consolidated financial statements included in this annual report.

Description of Liabilities

Information regarding liabilities is incorporated herein by reference to Note 7, Note 9, Note 10, Note 14 and Note 15 of the consolidated financial statements included in this annual report.

Selected Financial Data

The Five Year Summary of Selected Financial Data included in this annual report is incorporated herein by reference.

Management's Discussion and Analysis

Management's Discussion and Analysis included in this annual report is incorporated herein by reference.

Board of Directors

Corporate Governance

The following reflects descriptions of AgWest Farm Credit's Corporate Governance and board activities. At merger, the AgWest Board of Directors (the board) was composed of 24 directors. Board size after the merger will be governed by a Board Transition Plan (BTP) and will result in the Board ultimately being comprised of 17 directors. The Board size and BTP are memorialized in both the Agreement and Plan of Merger and Bylaws. Each director elected by the voting membership operates in one of the 8 geographic regions that constitute AgWest's operating territory. AgWest's Bylaws provide for no more than four appointed director positions and these positions shall consist of no more than three outside directors and one stockholder director. During 2023, there were two board-appointed outside directors. Outside directors cannot be customers, stockholders, employees or agents of any Farm Credit institution. One of the two outside directors is designated as a "financial expert" as defined by FCA Regulation. This director brings independence and financial, accounting and audit expertise to the board and chairs the board's Audit Committee. The other outside director position is used to bring independence, an outside perspective and other areas of expertise to enhance board oversight capabilities. The board may appoint one additional outside director and, as provided for in the Board Transition plan, will appoint a stockholder director in 2027. The initial holder of this appointed stockholder position will be assigned to the Coastal California region.

Director learning and development is comprehensive and includes new director orientation, an annual self-assessment, and ongoing development and networking activities within and outside the Farm Credit System. Focus areas include director representation and fiduciary responsibility, governance, human capital, audit and risk.

The board is independent of management. The President and Chief Executive Officer (CEO) and Chief Auditor report to the board and no management or employees may serve as directors. The board generally has five regularly scheduled meetings each year and one of those regularly scheduled meetings is conducted as a comprehensive strategic planning session. Additionally, interim conference calls occur as needed between meetings. The board operates with a structure of four committees: Governance, Audit, Human Capital and Risk. These committees are structured to provide focus and expertise in key areas of board oversight and to enhance the overall efficiency of scheduled board meetings. All policies and major initiatives are reviewed by one of these committees, with any actions recommended to the full board for approval. Each committee approves a charter outlining the purpose of the committee, its duties, responsibilities and authorities. Generally, these responsibilities are advisory in nature, with the full board acting on committee recommendations. These charters are reviewed and approved by the full board at least annually. This committee structure is organized to reflect AgWest's key enterprise risks and to enhance the overall effectiveness of the board's oversight of these areas. These committees generally meet as part of regularly scheduled board meetings and also conduct conference calls as needed. The board may, by resolution adopted by a majority of the full board, provide for one or more additional committees. The four Committee charters are posted on the Association's website and will be provided to any shareholder upon request.

As part of the board's annual reorganization process, committee members are recommended by the board Chair and Vice Chair and approved by the full board. Committee chairs and vice chairs are recommended by the members of each committee and approved by the full board. Following are full descriptions of the committees:

Governance Committee
This committee provides oversight of the strategic business plan and annual business planning process, stewardship, patronage program, facilities management, various financially-related services and strategic initiatives. The committee oversees director onboarding, board learning and development, director nominations and elections and board-appointed director positions, and overall board conduct and performance, including the Standards of Conduct program. The committee evaluates material issues impacting AgWest and monitors System, national and regional legislative activities and oversees the Local Advisory Committee program. The director who is appointed to the board of the Farm Credit Council also sits on this committee. The Governance Committee has the authority to review, prioritize and recommend agenda items for board meetings and is responsible for all board policies not assigned to other committees.

Audit Committee
This committee is made up of at least four board members, including at least one outside director. All members of the committee should be knowledgeable in at least one of the following: public and corporate finance, financial reporting and disclosure or accounting procedures. The director designated as the "financial expert" serves as the chair of this committee. The board determined that outside director Barry Powell has the qualifications and experience necessary to serve as the "financial expert," as defined by FCA regulation, and he served in that role throughout 2023. Stockholder-elected director Vicki Eggebrecht also qualified as a "financial expert" and served as the designated alternate in Barry Powell's absence.

The Audit Committee has unrestricted access to representatives of the Internal Audit department, independent auditors, all employees, outside counsel and any records as desired. The Chief Auditor reports directly to this committee.

This committee assists the board in fulfilling its oversight responsibility related to accounting policies, internal controls, financial reporting practices and regulatory requirements. This committee has a charter detailing its purpose and key objectives, authority, composition, meeting requirements and responsibilities. The charter, among other things, gives the committee the authority to hire and compensate the independent auditor, approve all audit and permitted non-audit services, review the audited financial statements and all public financial disclosures, meet privately with internal and external independent auditors and review any complaints regarding accounting irregularities and fraud.

Human Capital Committee
This committee is made up of at least three board members and at least one outside director. Neither the CEO nor any member of management can be involved in the selection of this committee's members, nor can they participate in any deliberations of the committee on matters relating to their own compensation or employment.

The committee is responsible for reviewing and recommending for full board approval the performance goals for the CEO and the evaluation of the CEO's performance against those goals. It also recommends to the board all actions necessary to administer the CEO's compensation, benefits and perquisites under the terms of the CEO's employment agreement. This committee is also responsible for recommending to the board the terms of the senior officers' compensation plan and participation of senior officers in that plan, including the Chief Auditor. The board has delegated to the CEO the responsibility to administer the compensation of those senior officers within board approved guidelines. However, the CEO must review the compensation levels for each senior officer with the Human Capital Committee before they become effective. The committee is also responsible for director compensation and for oversight of AgWest's employee compensation and benefit plans, all board policies applicable to those plans, and other human resource matters not specifically assigned to other committees.

Risk Committee

This committee helps safeguard the organization's assets, reputation and effectiveness by overseeing the identification, assessment and management of enterprise-wide risks. It ensures that appropriate risk management systems are in place and that those systems are functioning effectively and monitors the steps taken by management to control identified risks. The Risk Committee reviews and recommends to the full board all risk management policies including underwriting standards and portfolio and lending limit policies that guide AgWest's lending and credit related activities and the allowance for loan losses methodology. The committee also reviews and approves, or recommends to the full board, certain credit-related actions that exceed management's delegated authority. This committee also oversees key risk areas associated with AgWest's financial performance, operations, technology, funding, interest rates, liquidity, capital management, third-party risk, as well as model risk management.

AgWest's Directors

The following represents information regarding the directors of AgWest, including their principal occupations, employment experience and business interests where they serve as a board director or as a senior officer. Chair, Vice Chair and Committee designations are as of the date of issuance of this report. Director elected or appointed dates represent those of predecessor associations. As part of the Board Transition Plan, the terms of all AgWest directors shall terminate upon the expirations of their existing terms of office as set forth in that plan. All directors are elected or appointed to serve five-year terms (with the exception of the Idaho and Oregon positions that will be four-year terms to stagger terms in those states as part of the Board Transition Plan) and are limited to serving three full terms. Unless otherwise noted, the principal occupation, employment and business experience of the directors over at least the past five years is related to their farming, ranching or aquatics operations described below.

Douglas C. Filipponi – Creston, California

Board Chair

Elected in 2006; term expires 2025. Member of Human Capital Committee.

Principal Occupation/Experience: President, Filipponi-Thompson Drilling, Inc. (drills water wells); Chief Operating Officer, Ancient Peak, Inc. (winery); Managing Partner, Margarita Vineyards, LLC (grower of wine grapes); Partner, Filipponi and Thompson/South Gate (landlords agricultural land); Partner, Margarita Adventures, LLC (ag tourism); Partner, Valor Wine, LLC (wine and grapes); Managing Member, DFK, LLC/Major Domo, LLC/Santa Margarita Ranch, LLC (landlords agricultural land); Managing Member, Las Tablas Templeton Hospitality, LLC (hospitality services); Member, Filipponi Family LP (vineyard); Member, Mission Lakes, LLC (landlord); Member, Santa Margarita Cattle Co., LLC (cow-calf operation).

Other Affiliations: President, Paso Robles CAB Collective (wine industry advocacy).

Mark Cook – Willcox, Arizona

Board Vice Chair

Elected in 2016; term expires 2025. Member of Governance Committee.

Principal Occupation/Experience: President, Sierra Farming Company, Inc. (pistachios and custom farming); President, North Bowie Farming, LLC (custom farming); President, Producers Pump Company, LLC (irrigation pump sales and service); President, A&P Growers Cooperative (ag marketing cooperative); Director, Arizona Nut Company (pistachio processing); President, Ironwood Pistachio, LLC/Whitetail Creek Orchard, LLC [and all related managing entities] (pecans, pistachios and alfalfa farming); Managing Member, Double K Orchard, LLC/Four Star Pistachio, LLC/J&P Pistachio Ranch LLC/Lazy Dog Orchard, LLC/R&R Orchards, LLC/WPD Pistachio, LLC [and all related managing entities] (pistachio, pecans, alfalfa farming).

Other Affiliations: Vice President, San Simon Agricultural Research Group (pecan propagation, R&D and commercialization); Member, Sierra Land Company, LLC (land ownership); Member, Pista Orchard Management, LLC/San Simon Estate Land Management, LLC (management); Vice President, Arizona Pistachio Growers Association (marketing, industry organization); Director, Cochise County Farmers Association (propane and lubricant sales); Director, Arizona Pecan Growers Association/Western Pecan Growers Association (industry organizations).

Joseph C. Airoso – Pixley, California

Elected in 2007; term expires 2028. Member of Governance Committee.

Principal Occupation/Experience: Partner, Airoso Dairy Farms (dairy, corn, wheat, alfalfa and pistachios).

Other Affiliations: Director, College of Sequoias Ag Advisory (agricultural education); Director, Pixley Irrigation Water Commission (water management); Director, Southern California Gas Community Advisory Committee (southern California gas industry); Director, Tule Basin Land and Sustainability Water Trust (regional groundwater agency).

Robert Amarel Jr. – Yuba City, California

Elected in 2007; term expired 2023.

Principal Occupation/Experience: Managing Partner, Reason Farms (prune, walnut, almond farming).

Other Affiliations: Director/Grower, Sunsweet Growers Inc. (prune processing and marketing co-op); Director, California Prune Board (state prune marketing order); Member/Spokesman, Farm Bureau (non-profit farm organization); Director (for CoBank), California Farm Water Coalition (non-profit education for farm water issues).

Nels DeBruycker – Choteau, Montana

Elected in 2018; term expires 2028. Member of Risk Committee (Vice Chair).

Principal Occupation/Experience: Owner-Operator, NLD, Inc. (family ranch raising cow-calf operation, Quarter Horses, irrigated & dryland hay, small grains, wheat and barley); 2nd Vice President and Shareholder, Promised Land Farm, Inc. (a producer of cereal grains and pulse crops).

Other Affiliations: None.

Susan Doverspike – Burns, Oregon

Elected in 2015; Resigned 2024. Ms. Doverspike was elected to the CoBank Board effective January 1, 2024, and she tendered her resignation as an AgWest director effective December 31, 2023. Her AgWest position will be simultaneously eliminated.

Principal Occupation/Experience: Owner-Operator/Secretary/Board Chair, Hotchkiss Company, Inc.; Owner-Operator/Manager, Doverspike Land, LLC (cow/calf/yearling operations that produce beef and grow native meadow grass hay and alfalfa); Member/ Manager, Best Lane, LLC (solar electrical generation); Member/Manager, Well Field, LLC (pasture grazing).

Other Affiliations: Director, Harney Soil & Water Conservation District (soil and water conservation).

Vicki Eggebrecht – Belgrade, Montana

Elected in 2021; term expires 2026. Served as the alternate to the designated "financial expert" on the board. Member of Audit Committee (Vice Chair).

Principal Occupation/Experience: Owner, Eggebrecht Farming Company (wheat, peas, lentils, chickpeas and custom farming); Certified Public Accountant, at CHMS, P.C.

Other Affiliations: Manager BVE Rentals, LLC (rental property); Member BVE Investment Holdings, LLC (investments).

Catherine Fanucchi – Bakersfield, California

Elected in 2015; term expires 2025. Member of Governance Committee (Vice Chair).

Principal Occupation/Experience: President, Catchu, Inc. (diversified farming); Manager, La Carota Farms, LLC/Poso Ridge, LLC/Tri-Fanucchi Farms, LLC (diversified farming producing fruit, vegetables, almonds and wine grapes); Vice President/Secretary, Lucca Exports, Inc. (IC-DISC corporation); Manager Member, G3 Trees, LLC (agricultural property); Manager, Bag Katu, LLC/Cal Diamonds LLC/Hye Yem, LLC (ag property); Secretary, Gold Ribbon Potato Co, Inc. (potato packing shed).

Other Affiliations: Director, Arvin Edison Water Storage District (water district); Director, Western Growers Association (agricultural advocates and insurance provider).

Craig Gnos – El Macero, California
Elected in 2002; term expires 2024. Member of Risk Committee.
Principal Occupation/Experience: Owner, Batavia Farms/Partner, E&H Farms (production agriculture including alfalfa, almonds, corn, cucumbers, tomatoes, squash, sunflowers, watermelon and wheat); President, Batavia Inc. (payroll company); President, Gnos Bros. Inc. (equipment rental).
Other Affiliations: None.

Duane (Skip) Gray – Albany, Oregon
Elected in 2015; term expires 2025. Member of Governance Committee.
Principal Occupation/Experience: President, Gray Farms, Inc. (diversified crop farm); Member/Manager, Earthsource Investments, LLC (real estate investment); Member/Manager, Lakeside Ag-Ventures, LLC (vegetable seed and grass seed sales); Owner, Cascade Foods, LLC (hazelnut processing and marketing).
Other Affiliations: Treasurer, Specialty Seed Growers of Western Oregon (research based non-profit for the specialty seed industry); Director, The Farm Credit Council, (farm credit system trade association handling legislative and regulatory matters).

Robert Hansen – Hanford, California
Elected 1999; term expires 2026. Member of Risk Committee.
Principal Occupation/Experience: Partner, 3-H Cattle Company (custom cattle ranching).
Other Affiliations: Director, California State Brand Board (state branding program); Director, Duncan Reclamation District (land and soil reclamation).

Blake Harlan – Woodland, California
Elected 2003; term expires 2027. Member of Human Capital Committee.
Principal Occupation/Experience: President, Harlan Family Ranch (diversified farming); Partner, Wilson Bend Farms (tomatoes, alfalfa, rice, almonds, wheat, corn and sunflower farming).
Other Affiliations: Director, California 40th District Agricultural Association (planning and promotion Yolo county fair); Commissioner, Willow Oak Fire Protection District (fire protection services).

John Helle – Dillon, Montana
Elected in 2012; term expires 2027. Member of Governance Committee.
Principal Occupation/Experience: Owner/Treasurer/Board Member, Duckworth, Inc. (a vertically integrated apparel company taking wool from sheep to shelf); Owner, Village Vista, LLC (land management company); Partner, Helle Livestock (a commercial and purebred sheep operation); Partner, HR Wool, LLC (wool processing); Partner, Rebish and Helle (land management company).
Other Affiliations: Advisory Board Member, Montana State University Animal and Range Science Department (ag education); Director, National Public Lands Council (land management).

Greg Hirai – Wendell, Idaho
Elected in 2014; term expires 2024. Member of Human Capital Committee.
Principal Occupation/Experience: Owner/Manager, Hirai Farms, LLC (producer of wheat, potatoes, corn, alfalfa and forage triticale); Owner, Hirai Farms Storages, LLC (a potato storage company).
Other Affiliations: Director, North Side Canal Company, LTD/American Falls Reservoir District (providing water management); Director, Lower Snake River Aquifer Recharge District (providing aquifer management).

Tom Ikeda – Arroyo Grande, California
Elected in 2017; term expires 2027. Member of Risk Committee (Chair).
Principal Occupation/Experience: President, Fukuhara Farms, Inc. (agricultural land leasing); Corporate Secretary, Ikeda Bros. (diversified farming operations of vegetables, citrus and avocados); Partner, Ikeda Enterprise (financial investments); Owner, 1400 Railroad Avenue LTD., A California Limited Partnership Ag Box, Inc. (sales of produce packaging material), Member, Pismo Oceano Vegetable Exchange (produce cooling and shipping cooperative).
Other Affiliations: Director, San Luis Obispo County Farm Bureau/San Luis Obispo County Ag Liaison Advisory Board (ag advocacy); Director, CA Leafy Greens Research Board (funds lettuce, spinach and spring mix research).

Beth Kennar – Spokane, Washington

Board-Appointed Outside Director

Appointed in October 2021; term expires 2026. Member of Human Capital Committee (Chair).

Principal Occupation/Experience: Of-Counsel Attorney, Summit Law Group (legal services).

Other Affiliations: Volunteer/HR Legal Counsel, Catholic Charities of Eastern Washington (charitable organization).

Bill Martin – Rufus, Oregon

Elected in 2020; term expires 2025. Member of Audit Committee.

Principal Occupation/Experience: President, Martin Farms, Inc. (soft white wheat, row crops, seed crops, organics and cow-calf production); General Partner, Martin Brothers Land (dryland wheat farm).

Other Affiliations: Director, Mid-Columbia Producers (farmer-owned cooperative).

Colin Mellon – Yuma, Arizona

Elected in 2015; term expires 2026. Member of Audit Committee.

Principal Occupation/Experience: President, C.L. Mellon, Inc./Doug Mellon Farms II, Inc.; Director, Mellon Farms, Inc. (farming operations producing leafy greens, grains, cotton, alfalfa, Sudan grass, cantaloupe and vegetable seed); President, Desert Applicators, Inc. (agricultural services); Managing Member, 5 M Holdings, LLC/Mellon Brothers, LLC (real estate holdings); Member, CTC Property Management, LLC/CTC Property Management 2, LLC (real estate rentals); Member, Tri Farm Investors, LLC (land holding); Partner, Balance Investors Limited Partnership (farming); Partner, The Mellon Family Limited Partnership (farm land rental).

Other Affiliations: None.

Barry T. Powell – Sacramento, California

Board-Appointed Outside Director

Appointed in 2007; term expires 2027. Served as the designated "financial expert" on the board. Member of Audit Committee (Chair).

Principal Occupation/Experience: Owner, Powell Consulting (financial consultant). Past Chief Executive Officer, North Valley Ag Services (fertilizer and crop input cooperative), retired December 31, 2021.

Other Affiliations: Director, North Valley Ag Services (fertilizer and crop input cooperative).

Nate Riggers – Nezperce, Idaho

Elected in 2014; term expires 2024. Member of Audit Committee.

Principal Occupation/Experience: Partner/Operator, Riggers-Clearwater Farms, J.V. (farming operation producing small grains, wheat, malt barley, turf grass seed, canola and chickpeas); President, Riggers Brothers, Inc. NCR Farm, Inc./SNS, Inc. (partners in Riggers-Clearwater Farms J.V.); Partner, Riggers Land, LLC (owns farmland and farm facilities); Member, Clearwater Farms Land, LLC (farming); Partner, Cold Stream Malt & Grain Co. (processing of malt barley and sales of finished craft malt).

Other Affiliations: None.

Derek Schafer – Ritzville, Washington

Elected in 2017; term expires 2027. Member of Governance Committee (Chair).

Principal Occupation/Experience: President,The Family Plow, Inc./509 Farms, Inc. (farms producing wheat); President, Homestead Family Grain, Co. (grain and seed dealer); Vice President, Schafer Ranch, LTD (farm producing wheat, dry peas and canola); Treasurer, Fields & Furrows, Inc. (farm producing wheat); Manager, Grainland Acres, LLC (farming); Owner, Samkat Ritz, LLC (land development); Owner, Gehoft, LLC (rental property).

Other Affiliations: Treasurer, Adams County Wheat Growers (wheat advocacy group); Pacific Northwest Direct Seed Association (grower organization and education).

Brian Talley – Arroyo Grande, California

Elected in 2016; term expires 2024. Member of Human Capital Committee (Vice Chair).

Principal Occupation/Experience: Chief Executive Officer, Talley Farms (farming of vegetables, wine grapes, lemons, avocados and seed crops); Chief Executive Officer, Talley Vineyards (estate grown chardonnay and pinot noir wine production and sales); Member, Biddle Ranch Company, LLC/HIOJT Ranches, LLC/Lopez Company, LLC (land holding, orchards).

Other Affiliations: President, Las Ventanas Mutual Benefit Water Company (mutual benefit water company and road maintenance); Director, San Luis Obispo (SLO) County Flood Control District Zone 3 Advisory Committee (water advisory committee).

Shawn Walters – Teton, Idaho

Board Appointed in 2010 to fill the remaining term of a vacated director position. Elected in 2011; term expires 2026. Member of Human Capital Committee.

Principal Occupation/Experience: Owner/President, Shawn Walters Farms, Inc. (farming operation including potatoes, wheat, barley and alfalfa); President, Walters Marketing Group, Inc. (marketing); President, Walters Produce 2.0, LLC DBA Walters Produce (a fresh pack potato operation); Co-Venturer, Walters & Walters, J.V. (farming operation); Partner, Aristocrat Farms/Idaho Grain Producers (farming operations); Managing Member, Terreton Farms, LLC/Walters Farms, LLC/Walters Windy Ridge, LLC (land ownership); Managing Member, Walters Osgood Farms LLC (farming operation); Managing Member, Walters Equipment, LLC (equipment leasing); Managing Member, Walters Farms Assn., (labor management); Managing Member, Walters Legacy Ag, LLC (stockholder); Member, Aristocrat Investments, LLC (land and building ownership); Director, IBEX, Inc. (transportation); Member, IBEX Logistics, LLC (trucking); Member, IBEX Diesel Repair, LLC (engine repair); Member, Mountain View Holdings, LLC (real estate loans and rental properties); Member, Precision Soil Cleanse, LLC (custom fumigant application); Member, Walters Farms Trucking, LLC (farm commodity transportation); Member, Walters Mountain View Farms, LLC (farming operation).

Other Affiliations: Director, Enterprise Canal (water management); Director, Growmark (marketing cooperative).

Andy Werkhoven – Monroe, Washington

Elected in 2021; term expires 2026. Member of Risk Committee.

Principal Occupation/Experience: Owner/Vice President, Werkhoven Dairy, Inc. (dairy and forages); Member, Werkhoven Brothers, LLC (real estate holding).

Other Affiliations: Director, Qualco Energy (digester business partnering with Tulalip Tribe); Director, County Sustainable Land Strategies (builds collaboration between agriculture, fish, environmental communities, assisting county in planning and development).

Compensation of Directors

The Human Capital Committee (HC Committee) oversees director compensation and conducts periodic director compensation studies to identify current compensation paid to directors of other Farm Credit associations and similar entities. Based upon these studies, the HC Committee recommends for approval adjustments to director compensation including any pay differentials to the Chair or other key board positions.

Director compensation was approved at a rate of $80.0 thousand per year. The Chairs of the Risk, Governance and Human Capital Committees are paid $90.0 thousand, representing an additional $10.0 thousand. The board Chair is paid $115.0 thousand representing an additional $35.0 thousand and the board Vice Chair and Audit Committee Chair are paid $95.0 thousand representing and additional $15.0 thousand, reflecting the unique responsibilities and significant additional time demands of these positions. Each director receives a monthly retainer of $6.7 thousand, the committee Chairs receive a monthly retainer of $7.5 thousand, the Chair of the board receives a monthly retainer of $9.6 thousand and the board Vice Chair and Audit Committee Chair receive a monthly retainer of $7.9 thousand. No additional per diem is paid for attendance at AgWest's meetings or functions. If a director is not able to attend a regular monthly board meeting, then the director receives only the monthly retainer if attendance at or performance of other official business during that month is determined to warrant that payment. In addition, AgWest purchases Accidental Death and Disability and Business Travel Accident coverage for each director.

Directors and senior officers are reimbursed for reasonable travel and related expenses while conducting association business. In addition, each director is allowed reimbursement for expenses related to his or her spouse or guest attending the Annual Association-wide Local Advisors Meeting, board planning session, the December board meeting and one national meeting each year. In all other cases, spouse or guest expenses are reimbursed only if attendance at a meeting is preapproved by the board. The aggregate amount of expenses reimbursed to directors in 2023 was $229.4 thousand compared to $94.3 thousand in 2022 and $74.2 thousand in 2021. The increase in expenses reimbursed was primarily due to the increase in Board members and increase in travel expenses due to the geographical dispersion of the Board. The Director Compensation policy is available and will be disclosed to stockholders upon request.

Information for each director for the year ended December 31, 2023, is as follows:

	Board meeting days	*Other official duty days*	*Compensation paid during 2023*
Joseph C. Airoso	16	10	$ 80,040
Robert Amarel Jr.	19	6	80,040
Mark Cook	16	16	80,040
Nels DeBruycker	16	16	80,040
Susan Doverspike	16	12	80,040
Vicki Eggebrecht	19	15	80,040
Catherine Fanucchi	16	8	80,040
Douglas C. Filipponi	16	16	95,040
Craig Gnos	19	9	80,040
Duane (Skip) Gray	16	16	80,040
Robert Hansen	19	6	80,040
Blake Harlan	16	6	80,040
John Helle	16	6	80,040
Greg Hirai	19	6	80,040
Tom Ikeda	16	14	90,000
Beth Kennar	19	10	90,000
Bill Martin	19	13	80,040
Collin Mellon	19	6	80,040
Barry T. Powell	19	17	95,040
Nathan Riggers	15	16	115,020
Derek Schafer	16	18	90,000
Brian Talley	19	15	80,040
Shawn Walters	19	5	80,040
Andy Werkhoven	16	14	80,040
Total			**$ 2,015,820**

Senior Officers

Listed below are the senior officers of AgWest at December 31, 2023, including their business experience for at least the last five years and any other business interest where the senior officer serves on the board of directors or as a senior officer.

Mark Littlefield, President and CEO

Mr. Littlefield has served as President and CEO of AgWest since January 1, 2023. Prior to that, he served as President and CEO of Farm Credit West from January 2011 through December 2022. Mr. Littlefield serves on the board of directors of Financial Partners, Inc. (FPI), which provides information technology solutions for various Farm Credit entities.

John Barcelos, Chief Risk Officer

Mr. Barcelos has served as Chief Risk Officer of AgWest since January 1, 2023. Prior to that, he served as Executive Vice President (and Senior Vice President) - Chief Risk Officer of Farm Credit West from October 2015 through December 2022. Mr. Barcelos serves on the board of directors of FPI and is a member of the Audit Committee. FPI provides information technology solutions for various Farm Credit entities.

Daniel Clawson, Chief Lending Officer - South

Mr. Clawson has served as Chief Lending Officer - South of AgWest since January 1, 2023. Prior to that, he served as Executive Vice President (and Senior Vice President) - Chief Credit Officer of Farm Credit West from January 2014 through December 2022.

Linda Hendricksen, Chief Engagement Officer

Ms. Hendricksen has served as Chief Engagement Officer of AgWest since January 1, 2023. Prior to that, she served as Executive Vice President - Chief Marketing and Learning Officer of Northwest FCS from January 2021 through December 2022. She served as Senior Vice President - Marketing and Public Affairs of Northwest FCS from 2014 through December 2020. Ms. Hendricksen serves on the YWCA of Spokane board of directors, whose mission is to eliminate racism, empower women, stand up for social justice, help families and strengthen the Spokane community. She also serves on the board of directors for Friends of the Centennial Trail. Their focus is to assist and encourage the development and maintenance of the Spokane River Centennial Trail, adjacent parklands and connecting trails.

Jeff Hennig, Chief Auditor

Mr. Hennig has served as Chief Auditor of AgWest since January 1, 2023. Prior to that, he served as Chief Auditor of Northwest FCS from March 2021 through December 2022 and as Senior Vice President - Internal Audit of Northwest FCS from July 2014 through February 2021.

Tom McKeirnan, General Counsel

Mr. McKeirnan has served as General Counsel of AgWest since January 1, 2023. Prior to that, he served as Executive Vice President - General Counsel of Northwest FCS from January 2021 through December 2022. He served as Senior Legal Advisor of Northwest FCS from June 2020 through December 2020 and was Executive Vice President, General Counsel with Red Lion Hotels Corporation from July 2003 to June 2020. He serves on the board of directors of Gonzaga Preparatory School Foundation, which manages the Foundation assets in support of the students and programs at Gonzaga Preparatory School.

Tom Nakano, Chief Financial Officer

Mr. Nakano has served as Chief Financial Officer of AgWest since January 1, 2023. Prior to that, he served as Executive Vice President - Chief Administrative and Financial Officer of Northwest FCS from January 2014 through December 2022. Mr. Nakano serves on the board of directors of FPI, which provides information technology solutions for various Farm Credit entities. He is also the Chair of FPI's Audit Committee. Mr. Nakano serves as a board member of the Oregon State University Foundation, which is the primary fund raising organization for the university.

Bill Perry, Chief Lending Officer - North

Mr. Perry has served as Chief Lending Officer - North of AgWest since January 1, 2023. Prior to that, he served as Executive Vice President - Chief Lending Officer of Northwest FCS from January 2021 through December 2022. He has held various other positions with Northwest FCS including the titles of Executive Vice President - Lending and Insurance from 2019 through December 2020 and Montana President from 2015 through 2018. Mr. Perry serves as Treasurer for the alumni board of directors of the Alpha Gamma Rho Fraternity at Montana State University, which is committed to helping young men develop professional and social skills to become exceptional leaders in agriculture. He serves on the board of directors for the YMCA of the Inland Northwest. The YMCA of the Inland Northwest is part of the largest not-for-profit community service organization in America, working to meet the health and social service needs of men, women and children. Mr. Perry also serves as Secretary and Treasurer on the board of directors of Perry Ranch, Inc., a family cattle ranch located in central Montana.

John Phelan, Chief Credit Officer

Mr. Phelan has served as Chief Credit Officer of AgWest since January 1, 2023. Prior to that, he served as Executive Vice President - Chief Risk and Credit Officer of Northwest FCS from March 2019 through December 2022 and as Executive Vice President - Chief Risk Officer of Northwest FCS from February 2011 through February 2019. Mr. Phelan is a member of the Farm Credit Foundations Trust Committee. This committee oversees the fiduciary and plan administrative functions of the benefit plans offered to a number of Farm Credit employers.

Denise Warkomski, Chief Business Solutions Officer

Ms. Warkomski has served as Chief Business Solutions Officer of AgWest since January 1, 2023. Prior to that, she served as Executive Vice President - Business and Customer Solutions of Farm Credit West from January 2022 through December 2022. She served Farm Credit West as Senior Vice President - Chief Underwriting Officer from May 2016 through December 2021. Ms. Warkomski and her husband together own and operate Aztec Hills Farms, LLC and Sisson Farms, LP located in Arizona.

Compensation of CEO and Other Senior Officers

The compensation program for the CEO and other senior officers of AgWest is designed to reward management for performance that builds long-term value for stockholders, fulfills AgWest's purpose, ensures safety and soundness of the organization and enhances the value of the cooperative. The strategy is based on industry best practices and is designed to align the interest of senior officers with those of stockholders.

The HC Committee follows a compensation philosophy to (1) provide competitive compensation and benefit programs that allow AgWest to recruit, motivate, reward and retain a qualified and diverse workforce needed to achieve the collective success of AgWest's customer-owners and employees, (2) achieve the appropriate balance among market-based salaries, variable incentive compensation and benefits designed to incent and reward both annual and long-term achievement of our business and financial plans and (3) foster a performance oriented, results-based culture wherein compensation varies based on results achieved and is properly aligned with an acceptable risk profile and shareholder returns.

The HC Committee ensures compensation programs have adequate risk mitigating features. The HC Committee, together with its compensation consultant, conducts annual risk assessments of the compensation programs, which include process, tone and culture. The compensation program is also reviewed by AgWest's internal audit function, as well as discussed as part of AgWest's enterprise risk management efforts. Moreover, the compensation program and risks are routinely discussed at the board-level, both with and without the CEO or senior officers present.

The HC Committee has taken the following measures to ensure the compensation programs do not encourage inappropriate risk taking and maintain safety and soundness:

- Implemented caps on incentive plans.
- Balanced incentive compensation through a Short-Term Incentive Plan (STIP) and Long-Term Incentive Plan (LTIP).
- Designed incentive plans to provide rewards based upon multiple financial and nonfinancial measures and goals.
- Included threshold levels of performance that need to be achieved under the STIP and LTIP.
- Incorporated individual performance into the STIP based upon the performance management criteria.
- Engaged an independent consultant to conduct a risk review of the compensation and benefit programs.
- Approved performance targets and ranges for STIP and LTIP metrics that align with the business plan, strategy, and purpose.
- Retained discretion to adjust awards as needed.
- Maintain a recoupment policy that provides for the clawback of incentives for financial misstatement, erroneous calculations or misconduct.

Based on these various measures, AgWest does not believe the compensation programs create risks that are reasonably likely to have material adverse effect on the organization.

Compensation for the CEO and senior officers includes salary, STIP and LTIP. The framework for compensation is designed to pay for performance and a large percentage of CEO and senior officer compensation is "at risk" if AgWest results are below plan. Management must achieve strong results across multiple performance measures to receive at or above target incentives. The at-risk component of compensation is provided through short-term and long-term incentives while the "fixed" portion is salary.

To calculate incentive awards, AgWest aggregates the performance under each plan and calculates a separate Corporate Performance Factor (CPF) based on financial and non-financial metrics for the STIP and LTIP. Participants that voluntarily terminate employment or do not maintain satisfactory performance may forfeit STIP and LTIP awards.

The board has the authority to require reimbursement (recoupment) of all or a portion of any payment made to the CEO or senior officers for both the STIP and LTIP where the payment was based upon achievement of financial results that subsequently required substantial restatement during the three-year period following payment of the incentive, and the board, in its sole discretion, determines that the CEO or senior officer(s) engaged in intentional misconduct or gross negligence that was at least partly responsible for the restatement.

Salary

The HC Committee reviews and approves the CEO's salary based on the CEO's performance, AgWest's performance and market considerations prepared by an independent consultant. Market considerations include compensation for CEOs of comparable financial institutions, including other Farm Credit System entities. Senior officers receive base salary and benefits generally provided to management personnel. The HC Committee reviews the salaries of the senior officers based on their individual performance assessments provided by the CEO, AgWest's performance, and market considerations prepared by an independent consultant using the same comparable financial institutions used for the CEO's compensation.

Short-Term Incentive Compensation

Short-term incentive compensation reflects the annual incentive earned by the CEO and senior officers. STIP awards are paid in the year following the performance period based on achievement of targets and goals, after audited financial statements are issued and to persons who continue to be employed by AgWest unless otherwise provided for. The STIP provides the opportunity to earn awards as a percent of base salaries for meeting pre-established annual performance goals.

At the beginning of each performance period, the HC Committee approves the scorecard for each incentive plan, which calculates the CPF. The scorecard includes minimum levels of performance required for an award to be earned and maximum levels of performance on which an incentive will be paid. The board approved financial targets and goals are aligned with the organization's business plan financial metrics to ensure incentives align with business plan objectives. In addition, the various incentive plans have minimum thresholds that must be achieved before any incentives are earned. The board has discretion to adjust awards or performance assessments as needed to ensure rewards align with the pay for performance philosophy.

Performance metrics from legacy incentive plans were evaluated, and new balanced scorecards were developed for the AgWest STIP. Financial targets include net income after tax, adverse assets to total regulatory capital, common equity tier 1 and efficiency ratio. There is also a non-financial strategic initiatives rating determined by the board that recognizes the achievement of business plan initiatives.

Performance metrics for legacy incentives included financial targets such as net income after tax, return on assets, return on equity, acceptable and other assets especially mentioned loans to total loans, adverse assets to total regulatory capital, nonearning asset volume, average loan volume, efficiency ratio, and common equity tier 1. There were also non-financial metrics such as customer survey, new customer development and a strategic business objectives rating determined by the board that recognized the achievement of business plan initiatives.

In addition to the measures and goals listed above, adjustments to base salary and STIP awards are impacted by the individual performance of the participant. As a part of AgWest's performance management process, all employees are provided performance reviews, and in the case of the CEO, the performance review process is coordinated by the HC Committee with input and approval by the board.

The salary used in the STIP award calculation is as of the last day of the performance period. It is multiplied by the scorecard CPF, the CEO and senior officer's STIP Target percentage and their individual performance factors.

Long-Term Incentive Compensation

Long-term incentive compensation reflects multi-year incentives earned at the end of the plan term by the CEO and senior officers. LTIP awards are paid in the year following the performance period based on achievement of targets and goals, after audited financial statements are issued and to persons who continue to be employed by AgWest unless otherwise provided for. Pro-rata LTIP amounts earned by departed senior officers are considered earned in the year of departure. The LTIP provides the opportunity to earn awards as a percent of base salaries for meeting pre-established performance goals.

At the beginning of each performance period, the HC Committee approves the scorecard for a multi-year incentive plan, which calculates the CPF based on multiple years performance criteria established by the board. LTIP scorecards are typically for a three-year period, and a new three-year plan is created each year. The measures used are believed to be key drivers of AgWest's long-term success and are directly correlated to the pay received by senior officers. The scorecard includes minimum levels of performance required for an award to be earned and maximum levels of performance on which an incentive will be paid. The board approved financial targets and goals are aligned with the organization's business plan financial metrics to ensure incentives align with business plan objectives. In addition, the various incentive plans have minimum thresholds that must be achieved before any incentives are earned. The board has discretion to adjust awards or performance assessments as needed to ensure rewards align with the pay for performance philosophy.

Performance metrics from legacy incentive plans were evaluated, and new balanced scorecards were developed for the AgWest LTIP. Financial targets include return on assets, return on equity, adverse assets to total regulatory capital and efficiency ratio. There is also a non-financial customer engagement score based on customer survey results, with the final score approved by the board. The HC Committee also has a discretionary adjustment factor that may be applied based on business performance not captured by quantitative metrics.

Performance metrics for legacy incentives included financial targets such as net income after tax, return on equity, adverse assets to total regulatory capital, efficiency ratio and contractual interbank performance agreement score. There was also a non-financial strategic business objectives rating determined by the board that recognized the achievement of business plan initiatives.

The salary used in the AgWest LTIP award calculation is as of the first day of the performance period. It is multiplied by the scorecard CPF and the CEO and senior officer's LTIP target percentage.

Deferred and Perquisites

Various deferred or perquisite amounts include but are not limited to nonqualified contributions made by AgWest, vehicle allowances and taxable auto benefits, long-term disability and life insurance benefits, the value of non-cash retirement gifts, and other taxable fringe items of minimal value.

Senior officers and certain other individuals over a specified salary amount have an option to defer payments of their salary as well as payments under both the STIP and LTIP in accordance with applicable laws and regulations into the Nonqualified Deferred Compensation Plan. This plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the Defined Contribution Plan, if it were not for certain IRS limitations. Contributions are presented in the Summary Compensation Table.

Other

Represents employer contributions under the Defined Contribution Plan, changes in the value of pension benefits, separation payments, tax reimbursements, service awards and other compensation of minimal value.

Retirement Plans

AgWest has various post-employment benefit plans which are generally available to all AgWest employees, including the CEO, senior officers and highly compensated individuals, based on dates of service, and are not otherwise differentiated by position, unless specifically stated. Information regarding the post-employment benefit plans is included in Note 10 to the consolidated financial statements in this annual report.

Summary Compensation Table

The compensation shown in the following table is the actual compensation earned by the CEO, other senior officers and highly compensated employees during the years ended December 31, 2023, 2022 and 2021.

		Annual					
President and CEO	*Year*	*Salary*	*Short-term incentive compensation* [1]	*Long-term incentive compensation* [2]	*Deferred and perquisites* [3]	*Other* [4]	***Total***
Mark Littlefield	2023	$ 870,000	990,060	696,290	48,151	809,837	**$ 3,414,338**
Phil DiPofi	2022	$ 805,833	1,002,780	1,504,030	417,953	4,599,924	**$ 8,330,520**
Phil DiPofi	2021	$ 783,333	771,655	705,180	350,934	14,145	**$ 2,625,247**

		Annual					
Aggregate number of Senior Officers and Highly Compensated Employees (excluding the CEO) [5]	*Year*	*Salary*	Short-term incentive compensation [1]	*Long-term incentive compensation* [2]	*Deferred and perquisites* [3]	*Other* [4]	***Total***
9	2023	$ 3,225,000	2,470,950	1,740,168	471,040	324,847	**$ 8,232,005**
6	2022	$ 2,022,961	1,233,305	977,255	210,450	540,360	**$ 4,984,331**
6	2021	$ 1,919,977	961,445	765,645	169,230	186,951	**$ 4,003,248**

Total compensation paid during the last year to any senior officer, or to any other employee included in the aggregate, is available and will be disclosed to stockholders upon request.

[1] *Incentive earned in the fiscal year.*

[2] *Incentive earned at the end of the respective multi-year period.*

[3] *Various deferred and perquisite amounts as previously described.*

[4] *Various other compensation amounts as previously described.*

[5] *The 2022 and 2021 counts and compensation amounts include a highly compensated employee per the regulation definition. This employee was included in the short-term and long-term incentive plans previously described.*

Pension Benefits Table

The table below shows certain pension benefit information by plan for the President and CEO, as of December 31, 2023. There were no payments made during the reporting period to the CEO. There were no other senior officers in a pension plan. Amounts are in whole dollars.

	As of most recent fiscal year-end		
Name of individual	*Plan name*	*Years of credited service*	*Actuarial present value of accumulated benefits*
Mark Littlefield	11th Farm Credit District Employees' Retirement Plan	41	$ 3,407,965
Mark Littlefield	Former 9th and 11th District Pension Restoration Plan	41	8,875,676
Total		**41**	**$ 12,283,641**

The CEO participates in two defined benefit retirement plans: (a) the 11th Farm Credit District Employee’s Retirement Plan (Defined Benefit Plan); and (b) the former 9th and 11th District Pension Restoration Plan (NQ Pension Plan), which is a nonqualified retirement plan.

In general, the 11th Farm Credit District Employees’ Retirement Plan provides participants with a single life annuity benefit at normal retirement that is equal to 1.95% of average monthly compensation during the 60 consecutive months in which an individual receives his or her highest compensation (High 60) multiplied by his/her years of service. The benefit is actuarially adjusted if the individual chooses a different form of distribution than a single life annuity. The pension valuation was determined using a blended approach assuming 10% of the benefits would be paid as a lump sum and 90% as an annuity at the participant's earliest unreduced retirement age. The 11th Farm Credit District Employee’s Retirement Plan pays benefits up to the applicable limits under the Internal Revenue Code.

The Former 9th and 11th District Pension Restoration Plan is unfunded and non-qualified for tax purposes. Benefits payable under this plan are equal to the excess of the amount that would be payable under the terms of the Defined Benefit Plan, disregarding the limitations imposed under Internal Revenue Code Sections 401(a)(17) and 415, over the pension payable under the Defined Benefit Plan. The plan also restores any benefits attributable to non-qualified deferred compensation excluded from the benefit determined under the Defined Benefit Plan. The non-qualified pension restoration valuation was determined using an assumption that benefits would be paid as a lump sum at the participants earliest unreduced retirement age.

Travel, Subsistence and Other Related Expenses

Senior officers are reimbursed for travel and related expenses while conducting business for AgWest, and the travel policy is available and will be disclosed to stockholders upon request.

Transactions with Senior Officers and Directors

Information regarding related party transactions is incorporated herein by reference from Note 11 to the consolidated financial statements included in this annual report.

Involvement in Certain Legal Proceedings

There were no events during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2024, or at any time during 2023.

Relationship with Independent Auditors

There were no changes in independent auditors since the prior annual report to stockholders. There were no material disagreements with the independent auditors on any matter of accounting principles or financial statement disclosures during this period.

Fees incurred by AgWest for services rendered by its independent auditors, PricewaterhouseCoopers LLP, were as follows:

(dollars in thousands)

Year ended December 31,	*2023*	*2022*	*2021*
Annual audit services	$ 1,310	$ 747	$ 389
Tax services	—	—	—
Non-audit services [1]	10	10	3
Total	**$ 1,320**	**$ 757**	**$ 392**

[1] All non-audit services were approved by the Audit Committee. Non-audit services include an accounting research tool subscription and disclosure checklist license.

Consolidated Financial Statements

The consolidated financial statements, together with the Report of Independent Auditors dated March 8, 2024 and the Report of Management appearing in this annual report, are incorporated herein by reference.

Relationship with CoBank, ACB

AgWest's relationship with CoBank, ACB is discussed in the Notes to Consolidated Financial Statements referenced below:

- AgWest’s statutory obligation to borrow from CoBank, ACB is discussed in Note 7 of the consolidated financial statements.
- CoBank, ACB’s ability to access the capital of AgWest is discussed in Note 5 of the consolidated financial statements.

- The major terms of any capital preservation, loss sharing or financial assistance agreements between AgWest and CoBank, ACB are discussed in Note 2 and Note 8 of the consolidated financial statements.
- A discussion of how the financial condition and results of operations of CoBank, ACB may materially affect a stockholder investment in AgWest and AgWest's investment in CoBank, ACB is discussed in Note 1 and Note 5 of the consolidated financial statements.
- CoBank, ACB is required to distribute its annual report to shareholders of AgWest if a "significant event," as defined by FCA regulation, occurs.

Privacy Protection Afforded Under FCA Regulations

Customer financial privacy and the security of other non-public information are important. Therefore, AgWest holds customer financial and other non-public information in strict confidence. Federal regulations allow disclosure of such information by AgWest only in certain situations.

DESCRIPTION AND STATUS REPORT ON THE YOUNG, BEGINNING AND SMALL FARMERS' PROGRAM

Program Definitions

AgWest's AgVision® program is in place to serve the credit and related needs of young, beginning and small farmers and ranchers (YBS) in its territory. The FCA definitions of young, beginning and small farmers and ranchers are:

- Young – A farmer, rancher, producer or harvester of aquatic products who is age 35 or younger, as of the loan transaction date.
- Beginning – Any farmer, rancher, producer or harvester of aquatic products who has 10 years or less farming or ranching experience, as of the loan transaction date.
- Small – Any farmer, rancher, producer or harvester of aquatic products who generates less than $250 thousand in annual gross sales of agricultural or aquatic products as of the loan transaction date.

Mission and Objectives

Mission Statement

At AgWest, the AgVision program is dedicated to fostering the innovation and ingenuity of young, beginning, and small agriculture producers by equipping them with business and management training, tailored financial solutions, and targeted outreach and stewardship programs needed to meet today's challenges while securing a positive future in agriculture.

Objectives of the Program

- Promote agriculture by encouraging and developing YBS customers who plan to enter into or remain in agriculture by offering a wide range of products and services to meet their needs.
- Recognize and understand the complexities and challenges facing YBS customers attempting to obtain credit and establish a viable enterprise, and to establish AgWest as a leader in providing the products and services necessary for them to succeed.
- Reduce barriers for underrepresented agricultural producers in the YBS community by:
    - Providing outreach in financial and management education.
    - Ensuring details of the AgVision program and related benefits are shared widely.
    - Providing stewardship support to organizations serving underrepresented agriculture producers.
- Develop business relationships with next generation producers who:
    - Exhibit the management skills necessary to build a solid financial position,
    - Contribute to the agricultural community, and
    - Will become profitable customers for the association.
- Provide adequate board oversight to ensure the needs of this market are met on a constructive, safe and sound basis.

Services Provided

Several credit and related services are offered through the board-approved AgVision Program, which supports YBS producers both directly and in coordination with other organizations. This program allows AgWest to effectively serve the needs within these producer segments. Highlights of the program include:

- The AgVision program enhances AgWest's ability to serve the young, beginning and small producers who are actively involved in farming and those who may not meet traditional credit standards. Through this program, special consideration is given in loan underwriting ratios, interest rate reductions and fee waivers for origination and appraisal fees.
- Reimbursements to customers for educational expenses, technology purchases, recordkeeping and tax planning and preparation services.
- An advisory group that includes young, beginning and small farmers and ranchers who provide AgWest with customer feedback, functions as a liaison to association management and advances the YBS program impact within the agricultural community.
- The RateWise™ program rewards YBS producers for continuing their management education with interest rate reductions on new loans.
- AgWest's interest only, JumpStart™ loan program is designed to help entrepreneurs begin promising new ventures in agriculture.

- AgWest's Micro Loan product provides increased underwriting flexibility to allow a broad spectrum of producers often with non-traditional operations gain access to funds.
- Customer education programs are tailored to YBS producers focusing on areas such as agriculture-based economics, financial literacy, profitability, cash flow, personal finance, leadership and succession planning.
- The AgWest Business Management Center helps customers assess, understand and improve management practices through group and individual interactions via orientations, workshops and consulting. Numerous YBS customers have taken part in these various programs.
- The New Producer Grant creates opportunities for up to 30 new producers by addressing access to capital challenges through a $15 thousand business start-up grant.
- AgWest offers crop insurance to help YBS producers mitigate risk.
- A portion of the YBS producers' loan portfolio is supported by government guarantees, including guarantees by the Farm Service Agency (FSA) and the U.S. Department of Agriculture's (USDA) Business and Industry Guaranteed Loan Program.

Government Guaranteed Loans to YBS Farmers and Ranchers

(dollars in thousands)

December 31, 2023	*Number of loans*		*Volume*
Young	232	$	64,390
Beginning	264	$	91,516
Small	184	$	43,693

Regional Demographics

The service area of AgWest primarily includes the states of Alaska, Arizona, California, Idaho, Montana, Nevada, North Dakota, Oregon and Washington. The following table presents demographic information from the USDA's 2017 Census of Agriculture for YBS producers in AgWest's area. This census is conducted every five years.

2017 Census of Agriculture	*Number of producers*
Young	18,675
Beginning	51,514
Small	124,849

The FCA definition of a small farmer is less than $250 thousand in annual gross sales vs. the USDA definition of less than $350 thousand in annual gross sales. AgWest's AgVision program definition of a small farmer aligns with the USDA definition. As necessary, the figures presented in this report align with the FCA definitions of YBS. Young and beginning criteria for FCA and USDA align at 35 years old or less and ten years of farm management experience or less, respectively. Overall, the USDA study is the most useful tool to accurately measure association YBS goals and results.

YBS Volume in the AgWest Portfolio

The following table reflects the percentage of YBS producers' loans in the AgWest loan portfolio as of December 31, 2023. Methods by which the Census demographics and the AgWest data are presented differ as the Census data is based on number of producers, while AgWest's data is based on number of loans.

Young, Beginning and Small Farmers and Ranchers – Number and Volume of Loans Outstanding (including available commitment)

(dollars in thousands)

December 31, 2023	*Number of loans*	*Percent of total*		*Loans and commitments outstanding*	*Percent of total*
Total loans and commitments outstanding at year end	34,527		$	38,626,556	
Young farmers and ranchers	5,212	15.10%	$	2,846,065	7.37%
Beginning farmers and ranchers	8,341	24.16%	$	4,529,719	11.73%
Small farmers and ranchers	7,468	21.63%	$	2,026,609	5.25%

The table above includes loan participation interests from states outside AgWest's chartered territory.

Goals and Results

Quantitative goals are established each year for YBS producers' loan volume and numbers based on demographic data. The 2023 goals and actual results were as follows:

2023 Young, Beginning and Small Service Goals and Results

(dollars in thousands)

	Goals by number of loans	*Actual by number of loans*	*Goals by loan volume and commitments outstanding*	*Actual by loan volume and commitments outstanding*
Young	5,336	5,212	$ 3,063,762	$ 2,846,065
Beginning	8,497	8,341	$ 4,896,956	$ 4,529,719
Small	8,223	7,468	$ 2,263,329	$ 2,026,609

OFFICE LOCATIONS

(as of December 31, 2023)

AgWest FC Headquarters

2001 S Flint Road
Spokane, Washington 99224*
(509) 340-5300

Administrative Office

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(916) 780-1166

** AgWest FC Owned*

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3003 S Fair Lane
Tempe, Arizona 85282*
(602) 431-4100

2490 S 5th Avenue
Yuma, Arizona 85364*
(928) 344-3200

California

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Bakersfield, California 93308*
(661) 399-7360

940 W El Monte Way
Dinuba, California 93618*
(559) 591-9378

1111 W Lacey Boulevard
Hanford, California 93230*
(559) 584-2681

485 Business Park Way
Imperial, California 92251*
(760) 355-0291

175 Cow Meadow Place
Paso Robles, California 93446*
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Tulare, California 93274*
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Ventura, California 93003*
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Idaho

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Hillsboro, Oregon 97006
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Junction City, Oregon 97448
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Pendleton, Oregon 97801
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Redmond, Oregon 97756
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Roseburg, Oregon 97471
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AgWest FARM CREDIT

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